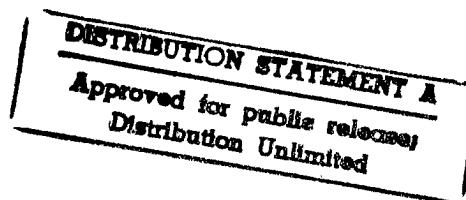


# ***JPRS Report***

## **East Europe**



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# East Europe

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### **Government Examines Penal Code Amendment Bill**

AU2606120391 Sofia DEMOKRATSIYA in Bulgarian  
21 Jun 91 p 1

[Report by Asya Gruncharova: "Investigators' Workload To Be Reduced"]

[Text] On 20 June, the government responded to Justice Minister Pencho Penev's request to quickly include in the agenda the bill for amendments and additions to the Code of Penal Procedure. The other proposer was Minister Khristo Danov. The criminal situation is becoming more and more complicated, and the investigators are overworked. On average, at present, they are working on 163 cases, and in some regions (Plovdiv for example) their colleagues have reached a record number of 380 cases each. The investigators' excessive workload is connected to a big increase, that has been apparent for some time, in the number of investigations—in 1990 their number reached 104,907, an increase of 36 percent over the previous year.

These were arguments that the two ministers presented in their report to the Council of Ministers for proposing that investigations of crimes that lie within the powers of the regional law courts should be carried out by the organs of the Ministry of Internal Affairs. The Council of Ministers approved the bill. Investigators will breathe a sigh of relief.

Amendments were also adopted to Council of Ministers Decree No. 15 of 8 February 1991. The new addition is that the Ministry of Finance and the Customs Main Administration will issue permits (on a competitive basis) for goods and services to be sold in hard currency at border control posts. Consideration will be given to the following requirements: the financial standing and foreign currency holdings of the companies; their trading traditions and established links to reputable suppliers of goods; the possibilities for building up and maintaining modern trading facilities; and the provision of full, around-the-clock services for travelers. Goods sold within the customs zone will be free of customs duty, tax, excise duty, and turnover tax.

Goods held in hard-currency warehouses and shops on 31 March, which will be sold for leva, are freed from customs duty and import tax. Customs relief also applies to goods contracted before 12 February 1991 and imported before the end of this year.

The draft decree for solving the social problems of Bulgarian citizens who took steps to return to Turkey between May and September 1989 was returned for final drafting because of the exceptional importance of the problem and because no financial calculations were attached to the document submitted for discussion.

### **New Deputy Health Ministers Appointed**

AU2606112191 Sofia DUMA in Bulgarian  
21 Jun 91 p 2

[Report by Katya Karagyaurova: "Health Care Has New Deputy Ministers"]

[Text] All three of the new deputy health ministers are at that creative age—between 40 and 50—know at least one Western language, are acquainted with European health care, and...do not smoke.

Dimitur Doganov, a 48-year-old economist-docent and a member of the New Bulgarian Social Democratic Party, replaces Grigor Dimitrov, deputy minister for economic affairs and a member of the Bulgarian Socialist Party, who is also a nonsmoker and at that creative age.

Zapryan Zapryanov, a 44-year-old epidemiologist and expert on the World Health Organization, becomes the Republic's chief sanitary inspector, with the rank of deputy minister. His membership in the Bulgarian Socialist Party is not confirmed.

Docent Petur Tenchev, a 43-year-old anesthesiologist who until now has been deputy director of the Institute for the Treatment of Foreign Citizens, is the new head of the Medical and Stomatological Aid Administration, with the rank of deputy minister. He has no party affiliation.

As Minister Chernozemski explained, the responsibility for their appointments lies with him personally. "I believe that it is important for a leader to choose his colleagues; ministers are not appointed competitively anywhere in the world. I am interested in only their professional qualities and not in their party affiliations, and I hope that they will implement national policies in their work," the minister said.

### **BSP-KGB Collaboration Described**

91BA0683A Sofia DEMOKRATSIYA in Bulgarian  
6 May 91 p 3

[Article by Georgi Spasov: "Informers: An Invisible Network of the Bulgarian Communist Party/Bulgarian Socialist Party and the KGB Threatens Democracy in Bulgaria"]

[Text] "We are developing an entire invisible DS [State Security] network, which will be playing an increasingly important role. What does this refer to? Competent people may be found in every enterprise, editorial board, and hotel. Some of them hold important positions. Others will attain such positions, particularly if they are given the necessary support. If such people, who are by now true professionals with firmly established positions in their own circles, also become our officers, the work of the DS will improve noticeably. We are slowly implementing this transformation. Let us consider your case. You are a journalist and hold an interesting position that gives you the right to meet with foreigners and to travel

outside Bulgaria. I hope you will advance in your career. That is why we deemed it sensible to suggest that you become an officer within this 'invisible' part of the DS I just mentioned....

"...Your case is not isolated. This system already covers the main areas of society. Thanks to it, we are able to penetrate entire areas to an increasing extent...."

(Vladimir Kostov, *Bulgarskiyat Chadur [The Bulgarian Umbrella]*, Reporter Publishers, Sofia, 1990)

\* \* \*

This was a statement made by General Dimitur K'osev, chief of the First Directorate of State Security, addressed to Vladimir Kostov in that distant year of 1968.

A person does not have to have a particularly rich imagination to conclude that, if the system of penetration and of assuming leading positions by DS officers in 1968 "already covered the main areas of life," 20 years later it must have covered all areas of life.

## I

It was with such a legacy that, after 10 November 1989, Bulgaria took the path to democracy, preceded by...the builders and leaders of this "invisible network." The BCP [Bulgarian Communist Party] itself began its renovation (and is continuing it) under the leadership of Aleksandur Lilov, who was a member of the BCP Central Committee Politburo for 11 years and was one of the main strategists of Todor Zhivkov's "April line," an indivisible part of which is this "invisible network." His reports are the "guiding principle" in DS work.

Following is the mechanism by virtue of which ideas are converted into...acts: A conference of Soviet bloc communist parties was held on 2 and 3 March 1977 in Sofia. The official reason for the conference is the forthcoming celebration of the 60th anniversary of the October Revolution. However, one of the most important items discussed was that of dissidence. The Soviet representatives insisted on the application of a firm line toward the dissidents. According to them, the dissidents have no justification whatsoever for their existence in a socialist society, being a phenomenon implanted from the outside by the "imperialist spies." As always, Aleksandur Lilov, the Bulgarian delegate, threw his full support behind the Soviet idea.

While the conference was taking place, a meeting of the secret services of the participating countries was held, chaired by the KGB of the USSR; subsequently, these services began to execute the conference's "adopted line." One of the participants at that conference was Colonel Dyakovski, who concretized the "tasks proceeding from it" as follows: "Comrades from the Second Directorate and the Active Measures Department will have to work harder in the next few years. We shall shut the mouths of all those dissidents and know-alls. We shall cut out their tongues once and for all!"

The most important questions to which our society should receive an answer today are the following:

1. Who are the people who developed the "invisible network" of the DS, and who are the members of this "invisible network"?
2. Where are the leaders of the "network" and the executives today, and what are they doing?

It is quite understandable that those who have the lists of the names of such people and the documentation on their activities have tremendous power over them and, through them, over society, because, if they may be found in every enterprise, editorial board, or hotel, as claimed by Gen. K'osev, who later "committed suicide," it means that this "invisible system" owns society and could hinder or try to torpedo its efforts to change, thus directly or indirectly threatening its existence.

Furthermore, as long as this "invisible network" of the totalitarian system remains invisible, we cannot speak of the total dismantling of the totalitarian system or of its liquidation. All efforts to democratize the country will be futile without total "visibility."

Since 10 November 1989, the leadership of the BCP/BSP [BCP/Bulgarian Socialist Party] has stated dozens of times that it rejects and condemns totalitarianism. However, it continues to guide and control the "invisible network." Furthermore, it is also keeping this network secret so as to be able to pull its strings. I ask myself whether the rather suspicious meetings between Andrey Lukanov, deputy chairman of the BSP Supreme Council, and the economic leaders to whom he issues "instructions for action" are not such "pulling of strings?" Is this not also proved by the provocative actions of the secret services involving the files, for instead of obeying the resolution of the VNS [Grand National Assembly] engaged in an "active measure" to discredit opposition deputies?

## II

I do not know who the economic leaders of the "secret network" of the DS are, where they work, or what they do. Judging by the actions of the agents and informers in other areas such as, for example, journalism, they do not work in favor of democracy. Suffice it to trace the careers of the "secret" DS officers named by Vladimir Kostov to abundantly realize that they showed a clear improvement.

Thus, for example, DS Colonel Pavel Pisarev (in 1977, but what about now?) has been consecutively chairman of the Committee for Radio and Television, general director of "Bulgarian Cinematography," and, after that, once again chairman of the Committee for Radio and Television.

DS officer Kosta Andreyev is editor in chief of TRUD and chairman of the BSP Central Council, and now even a people's representative and editor in chief of the newspaper ZEMYA (heir of KOOPERATIVNO SELO).

The career of Stefan Prodev, editor in chief of DUMA and a VNS deputy, who initiated the campaign related to the files of informants working for the DS Sixth Directorate, is quite indicative. His "morality" forbids him to sit next to informers but "allows" him to work side-by-side with Goran Gotev, a "secret" DS officer, who was his deputy and is now DUMA's correspondent in Yugoslavia. Obviously, Mr. Prodev finds it perfectly acceptable to sit next to those who led us to the catastrophe.

Why?

As we know, until 10 November 1989, no one could have a successful career in the information media without the blessings of the DS; the mechanism in this case is quite well described in Vladimir Kostov's book. It is also well known that a member of the Sixth Directorate had been attached to every publication and editorial board, the BTA [Bulgarian Telegraph Agency], the radio, and television.

Stefan Prodev himself spent many years as an editor in chief and at one point was even editor in chief of two publications—the newspaper NARODNA KULTURA and the periodical SOFIYA. It would be interesting to know why he was crowned chief of both publications and the kind of discussions he held with the member of the Sixth Directorate who supervised these publications. Could he have discussed the price of hothouse cucumbers?

It would be even more interesting to listen to the story of the member of the Sixth Directorate about his meetings with Prodev.

In the past, Stefan Prodev was fired from the newspaper LITERATURNI NOVINI. Later, however, he became its editor in chief. Unquestionably, someone liked him. Who? Prodev is the only journalist about whom, after 10 November, Todor Zhivkov spoke in extremely favorable terms. In return, Prodev made a few gestures, such as the interview conducted by Velislava Dureva with Zhivkov on the eve of the trial. In that interview, Zhivkov was given the opportunity to cast aspersions on all of his principal opponents. A while back, in discussing on television the April plenum, Prodev did not utter a single word against Zhivkov. He preferred to discuss, instead, the 20th CPSU Congress....

Vladimir Kostov emphasizes in his book the feeling of safety felt by an informant-journalist. However, such a feeling of safety had been acquired by others in a different way, such as by being in touch with the dictator Zhivkov or his friends. One can imagine how protected (and perhaps even inspired) a "dissident" might have felt had his wife, let us say, been a Zhivkov favorite for a while.

Let us recall the names of officers-journalist informants of the DS, as confirmed in Vladimir Kostov's book: Goran Gotev; Kosta Andreev; one Nikola Marinov, working for television; television operators K.

Cherkozov and Iv. Shibilev; and Pavel Pisarev, former chairman of the Committee for Television.

The book makes it clear that links to the DS were maintained by the editors in chief of the central publications of that time. Vladimir Kostov himself was "introduced into the game" by Lalyu Dimitrov, then editor in chief of the newspaper POGLED (later a department head of the BCP Central Committee and, subsequently, television chief and today a people's representative).

### III

At one of the meetings of the National Roundtable, General Atanas Semerdzhiev, then minister of internal affairs and today vice president of the Republic, stated that the Sixth Directorate had been disbanded and that the new DS structures had nothing in common with the old ones. This may be the case with the structures, but the fact is that the personnel did not change. It would be interesting to know the present occupations of the members of the Second Directorate and the Active Measures Department who threatened to cut out the tongues of the free thinkers. What are the occupations of the members of the "invisible network" attached to the other directorates and departments of the DS?

The BSP is silent and so is Dimitur Popov's government! Did they sacrifice the Sixth Directorate of the DS in order to protect the system? The question arises because, according to some, the Sixth Directorate was closed down because it was the most heavily compromised. Were the other departments compromised any less?

For example, was the Economic Directorate able to prevent the highest officials from pursuing for a number of years a criminal economic policy, as is now apparent? No, naturally not! The DS Economic Directorate kept quiet while the leaderships of the party and the state were concluding agreements and deals harmful to the country, making clearly unprofitable investments, and blindly following the Kremlin. The DS Economic Directorate did not publicly expose a single criminal deal made by the high officials. For example, when the party grandees were building their summer homes, the informants of this directorate were collecting compromising materials they personally submitted to Zhivkov. It was an open secret that Zhivkov allowed his subordinates to build palaces and to abuse their powers and state funds in order to keep them in his power.

All DS directorates were in the same wretched condition, and it is useless to comment on the work of the first, second, or fourth DS directorates. When a country is totally bankrupt, as was the case with Bulgaria, one can clearly see what these directorates were doing and how they were doing it.

The BCP and the DS sacrificed the Sixth Directorate quite deliberately, for several reasons. The Sixth Directorate was engaging in suppressing, indoctrinating, and essentially manipulating the intellectual elite, from

which the opposition could and did appear. For many years, it had kept under surveillance and collected data on every Bulgarian intellectual of some renown. After 10 November 1989, the BCP and the DS publicly abandoned the Sixth Directorate. However, they have its files and use them as they deem suitable.

The DS pretends that it is purging itself and changing. Is it possible to speak of real purge and change if the "invisible network" remains unexposed in enterprises, editorial boards, and elsewhere, and continues to do its work?

#### IV

Therefore, the informants (or, if it sounds better, the DS personnel) work in DUMA and in television; they manage ZEMYA. One can imagine how many other newspapers are under the influence of the DS and are actually in the service of the BCP/BSP. The information media were one of the main targets of the Sixth Directorate, but not the only one. That is why one can easily imagine the situation in the other cultural areas.

This means that the Sixth Directorate is not dead and that those who know who its people are could "activate them" by threatening to compromise them. We know who can do that! However, is this exclusive to the secret personnel of the Sixth Directorate? Naturally not!

The "invisible network" in enterprises, trade, services, education, and everywhere else is the same and could be activated by those who know who the people are.

We know who has that knowledge!

#### V

It is well known that the DS was a subdivision of the KGB and that the KGB had access to all the information available to the country and about the country. Zhivkov himself complained in an interview that the minutes of the meetings of the BCP Central Committee Politburo were made available to the Soviet Embassy one day later! There is not serious reason to doubt that the "invisible network" is in the hands of the KGB. This means that, if the Kremlin wishes, the KGB could activate it. This could have horrible consequences and, given the current political situation in the USSR, this cannot be ruled out.

That is why I believe that the Grand National Assembly, the government, and the Presidency should take all the necessary steps to dismantle the "invisible network" and totally neutralize it. Otherwise, it will be hanging like the sword of Damocles not only over democracy but also over Bulgaria!

#### **Opposition Agrarian Leader Drenchev Interviewed**

AU2606171691 Sofia TRUD in Bulgarian  
21 Jun 91 pp 1-2

[Interview with Milan Drenchev, chairman of the Nikola Petkov Bulgarian National Agrarian Union, by Plamen

Kamenov; place and date not given: "The 'Orange' Party Members Should Admit Their Guilt for the Marriage With the Communists"]

[Text] Recently, Mr. Milan Drenchev has been facing attacks from the left and the right, from within and outside his party, but this does not prevent him from looking well or from readily granting interviews:

[Kamenov] Mr. Drenchev, what will happen at the national conference of the Union of Democratic Forces [SDS]? Will you react like the Social Democrats, who have declared that people with no mass support are once again winning the upper hand, and that the BSDP [Bulgarian Social Democratic Party] will leave the SDS and continue separately as an independent party?

[Drenchev] This question is not easy to answer. Things are so complicated. We cannot lightly renounce cooperation with the other organizations in the SDS, but, if we are challenged or forced to do so... No one can make us accept decisions made without our consent, without consideration for our leading organs. If no one takes account of us, we retain the right to act independently.

[Kamenov] You declared that you will remain in parliament until 30 June. Is this correct?

[Drenchev] This is not a fatal date. If it becomes clear before then that the constitution will be adopted by 17 July, we will stay on after 30 June.

[Kamenov] It is claimed that you are the main obstacle to the unification of the two agrarian unions. At its last news conference, the Bulgarian National Agrarian Union [BZNS] leadership accused Krum Nevrokopski and Lyuben Bozhilov of "writing procommunist declarations" and of "nomenklatura-like" behavior. What action will you take concerning them?

[Drenchev] We will consider how far the two members have defended our positions. We will do it, not the "official" Agrarians! They are the ones responsible for destroying people's lives. They were the allies of the users of violence! How can we unite with them?

[Kamenov] It is hardly true that all the BZNS members were like this. Will you give the specific names of the guilty members of the "orange" party?

[Drenchev] They know who they are.... Anyway, we are putting the question in greater depth, in a more principled way. The individuals concerned are a secondary consideration. The official BZNS must censure its own past because its past is just as criminal as that of the Communist Party, and because it is really a question of crimes committed against the people and the state! They are equally responsible with the Communists for everything that happened during the last 45 years!

[Kamenov] How can you say they were equally responsible? Surely they were only the Communists' servants!

[Drenchev] Really? What about the prisons, the camps, and the people who were killed or disappeared? Was not the minister of justice always a member of the BZNS? They and they alone are our main tormentors!

[Kamenov] You mean the "orange" Agrarians?

[Drenchev] Yes, I mean them!

[Kamenov] What do you have to say about the assertion that you are against unification for the simple reason that the present leaders of the two unions cannot be members of the new leadership?

[Drenchev] This is a pure lie! There have been no talks, no reservations. This is some kind of nonsense....

[Kamenov] Some SDS circles accuse you of collusion with the Communists....

[Drenchev] Me? That's wonderful, wonderful.... I can only say that mere anticommunism is now not enough. We must declare what we want today and what we will do tomorrow. It is easy to renounce something but harder to build. If the people have still failed to understand what communism represents, do we have to explain it to them now? The important thing is, what will we substitute for this terrible utopia?

### **Ecoglasnost Clarifies Its Character**

AU2606165991 Sofia DEMOKRATSIYA in Bulgarian  
21 Jun 91 p 2

[Report by Yana Georgieva: "Who Is What in Ecoglasnost"]

[Text] The aim of the news conference of the Administrative Council of the Ecoglasnost Independent Movement held on 20 June was to bring into the open the question of what is happening in Ecoglasnost, and who is still a member of the organization.

According to Secretary Edvin Sugarev, chaos and confusion reign in the movement—it is losing its authority and supporters. In the last three months, it has gone down in the ratings from 9 percent to 1.7 percent. Edvin Sugarev cited the reason for this: "This movement, which ought to have been the opposite of a party structure and in all circumstances be in opposition, has become politicized in the worst sense of the word." What right do certain individuals (Georgi Avramov, Stefan Gaytandzhiev, Boris Kolev) from the Ecoglasnost Political Club have to use the name of the independent movement, to get involved in the political battles, and to form coalitions with different factions of the Union of Democratic Forces [SDS], only to satisfy their aspirations for power, Mr. Sugarev continued. Cited as blunders made by these MP's were their declaration in support of the SDS-Center (done without the knowledge of the Administrative Council) and the counterdeclaration against the Group of 39, which was welcomed by a municipal organization of the Bulgarian Socialist Party. However, perhaps the greatest misunderstanding is that the de jure

Ecoglasnost Political Club ought not to exist any longer. It was created with the aim of nominating candidates for the parliamentary elections and, according to its own charter, ought to have ceased existing after the Grand National Assembly was formed.

It was confirmed at the National Conference that Georgi Avramov had been expelled from the movement for falsifying documents, and Boris Kolev because he had "lifted" the club's stamp and documents from its headquarters on Dondukov Boulevard. Petur Slabakov, already the movement's former leader, left of his own accord. Mr. Sugarev said that Mr. Slabakov is a very honest person but easily deceived by dishonest people.

The Ecoglasnost leaders stated that, if the SDS wins the elections, their movement will leave the SDS. The movement must be really independent, not involved with the executive power, and always in opposition, they said in conclusion.

### **UK Cluff Company To Drill for Oil**

AU2606175691 Sofia BTA in English 1719 GMT  
26 Jun 91

[Text] Sofia, June 26 (BTA)—The Cluff Company of Britain is the sixth foreign company which will prospect oil on Bulgaria's territory under a contract which was signed today by Prof. Vasil Balinov, chairman of the Committee on Geology and Mineral Resources, and Mr. Cluff, president of the company.

The company will first study seismic conditions and data of previous geological studies, and then it will proceed with drilling. This work will take about five years. The Cluff Company has allocated a 10 million dollar risk investment. If an industrial oil-field is found, profits from oil extraction will be divided equally but the company's net profit will not exceed 25 percent of the total amount in convertible currency after all taxes and fees are deducted. The oil will probably remain in this country. A negative result of the prospecting will also be important for Bulgaria which at present cannot allocate funds for prospecting, Mr. Balinov said. Other foreign companies are exploring the unoccupied regions in which it is assumed oil may be found. There are 16 such regions in this country: 10 on the land and 6 in the Black Sea.

The Committee on Geology and Mineral Resources intends to open to foreign investments not only oil prospecting but also prospecting for coal, gold, silver, and copper, Mr. Balinov told BTA. Bulgaria has gold and silver deposits whose exploitation will take money and modern technologies.

Mr. Cluff added that his company is interested in the extraction of precious metals and intends to start negotiations and preliminary prospecting in Bulgaria. The Cluff Company has discovered and developed an oil



field in the North Sea and the largest gold mine in Zimbabwe. The company turns an annual profit of 2.5 million pounds sterling.

Bulgaria has signed contracts for oil prospecting with British Gas and Enterprise Oil of Britain, Texaco and Maxus of the United States, and OND of Austria.

### **Financial, Structural Aspects of Reform Criticized**

*91BA0706A Sofia DELOVI SVYAT in Bulgarian  
6 May 91 p 4*

[Statement by People's Representative Krusty Stanilov for DELOVI SVYAT; place and date not given: "Was This Development of the Reform Foreseeable?"]

[Text] The economic reform is going through a difficult stage. The main problem is that of controlling the continuing decline in production and the related fast increase in unemployment. The anticipated state budget revenue is not materializing.

Were such consequences of the selected approach for making the reform foreseeable? I submit to you some of the considerations I voiced in parliament on behalf of the "Europe" Social Democratic platform in the budget debates in the beginning of February:

Let me direct your attention to only two basic groups of problems. The first deals with relations between the budget and the economic area. It is our profound conviction that such relations, as included in the submitted draft, are being built on an insufficiently firm base. What are our reasons for such a conclusion?

Above all, in accordance with the amendments to Ukase No. 56, which we adopted, the tax burden of economic enterprises is not being reduced but is increasing. The share of direct taxes on profits of nonfinancial enterprises in the budget revenue is expected to increase from 29.8 percent in 1990 to 37.4 percent in 1991. Considering the existing situation in the foreign markets, the estimated income from exporting enterprises is very doubtful.

The second reason for this conclusion is the virtually total separation of the budget from the tasks of restructuring the economy as the main lever for increasing its efficiency. Whereas the reduction of subsidies for stimulating production by more than two-thirds and for stimulating exports by about one-half, as compared to 1990 is, in itself, a trend that must be assessed positively, the reduction by a factor of four of the budgetary expenditures for the "Structural and Technological Policy" fund is totally groundless and widely separates us from the views of the countries that have a market economy. We do not understand how the budget could exert its influence in implementing the intention stated in the government's declaration on halting the decline of production by the end of the first half of the year.

We are awaiting with interest the program announced in the government's declaration on decentralizing, demonopolizing, and making autonomous economic activities in the state sector, as well as the introduction of a system for contracting with economic managers in state enterprises. We would also like to note that the virtually total financial withdrawal of the government from the problems of the structural development of the country and the surrendering of this area exclusively to foreign capital (because there is no domestic capital—and, if it existed, it would be suppressed by the financial-credit restrictions) should in no case be considered a farsighted policy. Avoiding state control, which is characteristic of all market economies, instead of bringing us closer to the creation of a normal market is bound to lead us to chaos or to involve the government in a series of compromises with the market principles. Such compromises would make more remote any democratization in the economic area. The lack of a breakdown of particularly important items in the budget creates the conditions for a number of companies to fall once again into the hands of the administration. With such an approach, we naturally cannot agree.

The second range of problems is related to increasing the production and business activities of individuals in the new society with a market economy. Let me reassert our readiness to engage in a constructive dialogue on the variant we have suggested, which calls for a more equitable apportionment of the difficulties of the transition, involving the richer and poorer population strata. We oppose any increase in interest rates with a retroactive effect, and favor the introduction of a progressive one-time tax on property based on differentiated rates. In the opposite case, with the new price relations, most of the average-income people will become poorer. Both they and the young would be unable even to dream of participation in privatization. They will either find themselves in the group of the socially weak or else will seek ways of proving their worth abroad.

It is only a society in which the bulk of the population is the owner—directly or through stock ownership—of the means of production that the need for developing a true political democracy exists. It is only in such a society that private ownership, protected by the laws, can assume its proper social dimensions. We are in favor of stimulating the development of private ownership and stock ownership, but we cannot agree with having that that was created by the labor and intelligence of three generations become the property of others. The people of these generations, having lost their opportunity during the totalitarian regime, would become once again poor reinforcements in the hired labor market.

Finally, quite frequently in the course of economic debates in this parliament the names of foreign experts and international institutions are mentioned. Furthermore, such names occasionally acquire the strength of arguments in substantiating various decisions. We would particularly like to protect the less experienced political experts from the feeling that economic solutions are

simple and clear as long as a proper economic messiah can be found. It is not monetaristic prescriptions known to all that will determine the success of the reform but, rather, finding the combination of economic influences that would best regulate the processes in the existing economic target: the Bulgarian economy, related to a good knowledge of the mentality of our people. We suggest that, immediately after the first 100 days of the Dimitur Popov government have gone by, and when we already have the promised program for the economic reform, the government submit an updated budget that takes into consideration both the dynamics in the changes in the economic situation and the new democratic vision on the shaping of and the interaction between the territorial and the Republic budgets and the new tax policy. To this effect, we expect that in the next few days the government will submit a new law on the formation of the budget and restore to the commissions the currently withdrawn Law on Taxes.

Today, two months after I made this statement in parliament, there is nothing I can add to it.

#### **Higher Irrigation Costs Cause Problems for Farms**

*AU2606171991 Sofia DUMA in Bulgarian  
22 Jun 91 p 2*

[DUMA press report]

[Excerpts] Stefan Dimitrov of the Water Land Improvement Systems State Company announced that contracts

have been concluded for watering 32 percent of the fields normally requiring watering. This year, the state is for the first time providing no subsidies for land improvement work. After the first liberalization of prices, the company's costs increased from 160 to 440 million leva, and, following the second rise in fuel prices, its costs now amount to 600 million leva. Engineer Dimitrov explained that the "water use" charge and the cost of the water itself will increase crop prices by the following amounts per kg: corn, 0.07 leva; tomatoes, 0.02 leva; green peppers, 0.04 leva; and rice, 0.70 leva. [passage omitted]

The cost of the first watering of 1 decare of cultivated land rose from seven to 43 leva, which forced many cooperatives to give up watering their crops. Long-term projects for constructing and reconstructing irrigation and watering systems are frozen because the fate of the labor cooperative farms is uncertain. A big problem is how to compensate the owners of land occupied by reservoirs and through which irrigation canals pass. So far, 12 million leva have been invested in developing the country's reservoir system, Engineer Dimitrov pointed out.

The Union of Labor Cooperative Farms is refusing to use the land-improvement facilities and will make exceptions for only certain crops. Specialists from the union reported that the combined farms cannot afford the costs.

**Pithart on Slusovice, Dlouhy, Constitutions**

91CH0646A Prague *RESPEKT* in Czech  
26 May 91 pp 7-8

[Interview with Petr Pithart, Czech Republic prime minister, by Jan Machacek and Bohuslav Blazek; place and date not given: "I Was Foolish To Think That What's Clear to Me Is Clear to Others as Well"]

[Text] [RESPEKT] After February 1989 you were ranked among those of whom we had the greatest expectations. Of the new political stars of that time you have undoubtedly experienced the greatest decline in both popularity and interest. How do you explain it?

[Pithart] In the first place, I am not aware that the greatest hopes were connected with me. Secondly, I don't know that I have suffered such a decline. I do know that I came under critical fire on several occasions but I still don't see it in such tragic terms. Of course I made mistakes and underestimated some things: for instance the ways of selling and explaining certain matters. I was foolish to think that what's clear to me is clear to others as well. Certain things would have been received differently had I taken greater care explaining them.

[RESPEKT] So you believe that your mistakes consisted in the way you presented problems rather than in the way you handled them?

[Pithart] Yes. As for my style I was repeatedly compared with Prime Minister Meciar but that did not disturb me. I was sure that the Czech public is sufficiently realistic to perceive sooner or later that there is nothing to admire. If today someone came up demanding that a Czech politician should conduct himself like Meciar, he would earn only ridicule. I persisted and believe that it was the right thing to do.

[RESPEKT] Among journalists you are sometimes viewed as one of the politicians who are tough on the press but soft in political negotiations.

[Pithart] It used to be, but is no longer true. It was my mistake to give journalists overly large room for various interpretations and speculations. I should rather have tried to explain things in a better way.

[RESPEKT] That's another thing for which you are being reproached: You have a habit of speaking in minimally concrete terms. People are sensitive to that since it reminds them of the past era.

[Pithart] If that's true I can see no justification for it. Then it would probably require me to change something substantial. This is not my intention; the simple fact is that in certain situations I express myself carefully. This can of course be perceived as trying to avoid a concrete answer. I am not a person for whom conflict is a natural element; rather, I try to forestall conflicts and resolve them. It is not so much a matter of my nature as of my feeling that we already have plenty of needlessly overblown disputes. In my view the public is not so eager to

see conflicts as it is to see them resolved. If conflict continues it is my feeling that it is unproductive to publicize each individual stage of it. I am convinced that ultimately a solution is always found.

**Slusovice**

[RESPEKT] Right now there is one such conflict which continues: your dispute with [Agriculture] Minister Kubat. There is much that is obscure about it. For instance two days after your visit to Slusovice an in-depth audit scheduled for the cooperative was cancelled.

[Pithart] I can say only that I knew nothing about some sort of an in-depth audit. The visit to Slusovice, that is, Docent Cuba, was preceded by a private visit during vacation when I was there in an apartment on invitation from the cooperative's critics. We sat together surely longer than with Cuba and formed a certain picture.

I have drawn no conclusions from either visit. I thought it proper to hear also the other side, and for two and a half hours I sat with the cooperative's chairman, without of course making the statements about Minister Kubat which were put to me. I never used the word dilettante in reference to his person.

The whole affair interests me far more personally than in my capacity as prime minister. You know that neither Minister Kubat nor the government or prime minister have any powers to interfere with the operation of cooperatives. Investigation of all frauds can be conducted solely by investigators from the Ministries of the Interior and Control. There is no other road leading to the Slusovice conditions. At Slusovice Minister Kubat can make only political speeches but that is all. The government as well as its prime minister are in the same situation.

[RESPEKT] So it is not true that at Slusovice you promised Minister Kubat's recall?

[Pithart] That's totally absurd, but I can imagine that Slusovice is spreading this story and why.

[RESPEKT] Why then?

[Pithart] It must seem clear that the Slusovice people feel threatened by the agriculture minister, if only by the way and frequent occasions he talks about them. They have an enemy in him and of course are able to spread disinformation.

Toward the end of last year a recall of Minister Kubat was not under consideration. It was when we met with all his deputies and I tried to find out whether or not the Ministry has a programmatic concept. They were drilled very well, one after another took the floor.... But I was not after some kind of an expert opinion but rather certain signals to the countryside which would be understandable, persuasive and offering guidance on what will be, what we want and what will the results be.... The Ministry failed to work this out. They did not understand at all that they were expected to provide political

leadership in the good sense of the word. On the contrary, I believe that Minister Kubat's conduct and statements contributed rather to uncertainty and chaos, were unpersuasive and lacked both head and tail.

#### Position and Opposition

[RESPEKT] So it was your exceptions to Minister Kubat's work which led you to consider his recall. But as far as we know you are noted for being especially concerned that the government work as a whole and that no controversies that may occur float up to the surface.

[Pithart] To begin with, Kubat was my own personal, very chancy choice. He had been a middling employee of the Ministry for Environmental Affairs whom nobody at all knew. I decided in his favor on Minister Moldan's recommendation. His enthusiasm appealed to me and it was evident at first glance that he is a tremendously honest person, with body and soul devoted to work. All this was subsequently borne out but in our disputes the issue essentially was not about what but rather about how. The way he presented the Ministry's determinations as well as the way in which he conducted himself in conflict situations was insupportable. Even if he was a hundred times right, it is not acceptable that for a month he would find no time for explaining to the people in understandable terms why for instance he recalled the director of Budvar. He simply doesn't give a hoot. "He is a scoundrel, we recalled him"—and turns his back on the matter. People need to have it explained. I never told him that the changes he carried out are incorrect in substance, but in what he did he was one hundred per cent lacking in form.

And now to the essential issue—the law on land. I refuse to say who is right—whether the original government draft, or Minister Kubat. The point is not whether people argue or don't argue. The point is that one cannot enjoy the benefits deriving from a powerful government post and simultaneously also benefits which flow from being in the opposition. If I disagree with the government's decision either I swallow it, or say, "Gentlemen, I am sorry but the issue is of such fundamental importance that I cannot remain in the government." That's honorable, such a step is common in the West and could serve as the basis for his further rise should he be proven right. But it is not possible to vote in favor of a certain proposal in the government and afterward conclude that I was wrong and start fighting against the proposal. This is the ABC of politics. It is also a problem of the People's Party which insists on greater representation in the Czech government but at the same time conducts itself as the opposition. I am writing chairman Lux that he will have to decide—either, or. The opposition has great advantages—it can speak freely, cannot be taken at its word, but lacks power to bring direct influence to bear on what goes on. From the position of power it is exactly the other way around.

[RESPEKT] It looks a little like a better chance for a member of your government to stay on if he is someone

as colorless as Eng. Baudis than for a minister who is for some reason controversial...

[Pithart] He is not controversial. Minister Kubat voted for a stand in which the government recommended federal legislation. After some time, weeks, months, he came to a different view. To this he is fully entitled but then he must decide either that others will propound this view in his behalf while he stays in the government, or that the matter is for him of such a fundamental importance that he cannot remain in the government.

[RESPEKT] Insofar as we know, you have not yet proposed Minister Kubat's recall. Yesterday you met with him. Does it perhaps indicate some sort of a rapprochement?

[Pithart] Who would plunge into something of which he knows in advance that it won't work? Ministers are appointed and recalled not by the prime minister but by the CNR [Czech National Council] Presidium. It can do the latter even without my initiative. This time it is far from clear whether my initiative would meet with approval of its majority. Even the ODS [Civic Democratic Party] which in statements by Minister Klaus formerly heaped harsh criticism on Minister Kubat and recommended its own candidate for his seat, is now being evasive. In short, I will take my cue from the balance of forces in the CNR Presidium. Otherwise I could wind up like I did a while ago when I unsuccessfully proposed Deputy Cermak for minister of environmental affairs.

And that I have met with Minister Kubat? Yes, I wanted to know his opinion on the various statements by the so-called "DAK Slusovice legal and investigative commission." These are actually the minister's own people, his fellow-fighters against agricultural Mafias. At the same time they also publicize horrendous untruths. Thus they claim that the Czech Republic government is being manipulated by Cuba who reportedly pushed through the fall of two of its ministers. Kubat is supposed to be the third. I wanted to know the minister's view of this and what he has to say about it. I challenged him to make an open statement on these allegations. If he fails to do so, it means that he is not bothered by having spent nearly a year as member of a Mafia-controlled government, something I find hard to believe. Or he knows that it is not true but is not bothered by such calumny being spread about. Or perhaps there is some other explanation? I truly don't know. So I don't see any indication of a rapprochement.

[RESPEKT] True, the whole matter is within the jurisdiction of [Justice] Minister Sokol, but what is the extent of attention the prime minister is paying to the entire Slusovice affair?

[Pithart] Here we probably have different ideas on what can be done at what time. I asked Minister Sokol, an experienced lawyer, how long he estimates the investigation may take. He said at least a year. Economic crime sometimes requires even longer time to investigate.

Apparently the expectation is of very quick results, but this is a mistaken notion. In this connection I fail to understand why many officials who do not otherwise defend Minister Kubat nevertheless assert that his recall would not be tactically correct while the investigation is under way. They probably do not realize how long it will take.

[REPSEKT] Do you regard Slusovice as largely a positive example of entrepreneurship? Did you ever regard it that way?

[Pithart] No, not any more. In past years we—that is myself and my friends—were somehow of two minds: there were positive aspects and on the other hand it was clear that they enjoyed conditions different from the others. I was rather interested in it but never went there; my information was only second-hand. Many times I was in company where people fought for it like for their life, and I admit that I frequently took both sides.

Now when we know what machinations are being carried on there my view is of course unequivocal.

#### How It Was With Minister Dlouhy

[RESPEKT] What was behind the efforts to enlist Minister Dlouhy?

[Pithart] At the turn of the year I offered him the post of deputy prime minister, in recognition of his qualities. At the time, in view of the situation in the Slovak government and its relations with the Federal Government of which he was a member, it was he who said that, regrettably, he had to turn down the offer. He may have seen it as possibly the best chance of his life but his loyalty to the Federal Government in which he had worked previously was stronger than the desire to direct the Czech Republic's economy.

Because the negotiation was still alive I returned to the matter knowing that he was interested. Deputy Kroupa interpreted our agreements, at which he was not present, erroneously: what I said was that after some time when he has looked around in the government it will be up to him to suggest certain changes. We talked about six weeks. The focus was especially on the Trade Ministry—whether it still has a role, a mission. This is substantially all. He said he would try it out on some ministers. Most decidedly it was not formulated so as to make it a condition for his joining the government that it be reconstructed at the same time. This would resemble an ultimatum. Ministers Klaus and Dlouhy subsequently agreed that Minister Dlouhy will remain in federal service.

[RESPEKT] could you comment on the critique of your bureaucratic apparatus at the Office of the Government Presidium? ODA [Civic Democratic Alliance] has criticized the alleged further expansion of your apparatus. There is also a questionable person involved about whom it is asserted in the halls that he wields greater power than the prime minister—Dr. Vlcek. It was he who

came to negotiate with Dlouhy the details of his joining the government. Secondly, Minister Dlouhy reportedly set a very substantive condition—that in case of his taking the post Dr. Vlcek must leave the office.

[Pithart] This is not true. Dr. Vlcek negotiated with him at my behest. I proposed a certain delay in the arrangement, having concluded that I would not change the deputy prime minister at a time when he is hospitalized. Because I found out when he will leave the hospital I sent Dr. Vlcek to propose to Minister Dlouhy a postponement in the change of posts. So he did not act on his own. Vlcek's role was never discussed with Dlouhy.

As the chief of the Office of Government, Dr. Vlcek holds a post comparable to that of a minister; it is not a negligible position. He attends government meetings.

As for the state of affairs in the office—several times I requested various statistics and surveys and must state that there has been substantial change. True, from time to time attention is drawn to some officials in the Office of Government and I emphasize that I am paying serious attention to this problem.

The latest screenings came out best for us, we had the lowest percentage of losses: seven-eight people.

[RESPEKT] Reportedly you received a letter from the Soviet Embassy saying that if Dlouhy becomes a deputy prime minister the Soviet side will abrogate trade arrangements agreed with Vlasak. Is this true? Is it a normal and routine conduct from their side?

[Pithart] If I had such a letter in my hand it would of course call for appropriate publicity. But no such letter exists. I got a message, no doubt handled discreetly so I would have difficulty verifying it, that assumption of the post by Dlouhy would invalidate agreements—not the ones concluded by Vlasak but those on which we and Minister Vrba agreed in Moscow. I got in touch with the ambassador in Moscow and inquired if anything of this sort is at all possible. I wanted him to verify whether or not Minister Dlouhy has such a reputation there. But first of all we agreed that action of this kind is an utterly unacceptable form of pressure and that in no event it would be heeded by us. Something else decided the matter: the agreement between Minister Klaus and Minister Dlouhy. I would gladly hand this letter over to you if it existed because I would surely regard it as a case of gross interference. It was a message whose origin is difficult to trace and I am not interested in heeding similar recommendations.

[RESPEKT] Have you considered that strengthening the Czech government's capabilities by the addition of Minister Dlouhy might weaken the Federal Government?

[Pithart] He was reasonable enough to say in the first meeting that he would have to agree on this with [Federal] Prime Minister Calfa. I would certainly not go

through with it if Calfa said he can under no circumstances spare him. But the response was positive: Presumably they did agree and the Federal Government is willing to release him.

### There Will Be No State Treaty

[RESPEKT] Can you comment on the situation involved in negotiating the constitutions? What is it going to be actually, the somewhat mysterious treaty or agreement discussed at the Lany meetings?

[Pithart] The whole problem stems from the fact that our state was founded in a nontypical manner: by division of a unitary state. While we may find two such examples in the world, as a rule federations result from individual subjects voluntarily seeking to federate and ultimately joining. This did not happen in 1918 and can no longer be completely repaired. We would have to separate the republics, make them subjects of international law—that is, fully sovereign states—and this is unacceptable. There will be no more talk of a state treaty, it was definitely buried at Lany. It is that a state treaty precludes the formation of anything but a confederation—such a loose link that today no longer exists in the world because it hasn't worked out. So the talk is of a treaty or agreement. The Czech side prefers the term agreement, the Slovak side a treaty. Basically these are symmetrical concepts. A substantive difference between them is registered only in civil law, and only lawyers distinguish between these fine nuances. Now the issue is to give Slovakia an opportunity to express its will by a legal act, when it no longer can join a federation by entering it.

Four historical agreements concerning Czechs and Slovaks have not been fulfilled: The Pittsburgh and Cleveland Agreements, the Kosice government Program, the 1968 Constitutional Act on Federation. For a variety of reasons what was written in these compacts has never been carried out. Therefore, I fully understand the Slovak endeavor, of course on the condition that the Federal Assembly will have the decisive word on how the state is arranged and secondly, that not for a moment will there be independent existence of both states.

[RESPEKT] So you agree with the view that in the parliamentary elections the citizens entrusted the affairs of the federation to the Federal Assembly [FS] and that thus matters concerning the federation are within the powers of the elected FS. So it is inadmissible for the National Councils, to which was delegated only the power to govern the republics, to interject themselves into these matters.

[Pithart] The treaty or agreement would concern only certain principles—not the whole Constitution but only those parts dealing with the arrangement of the state, and would serve the FS as a guidance. The final word would remain with the FS. We know generally that Slovakia regards its representation in the Slovak National Council as something qualitatively higher than its representation in the federation: A Slovak who comes to Prague becomes denationalized and they don't regard him as

one of their own. In contrast, for Slovaks representation in the National Council is representation of the Slovak nation while the FS is merely civic representation. I always ask myself when we will finally agree that the foundation of the state is the territorial and civic principle. The Slovak side wanted to have the constitution subsequently ratified by the National Councils. But this would degrade the FS to a legislative department of some bureau: give us those principles of yours, we will work them over and if you like it, kindly ratify it. This is unacceptable. They do not sense that there is a difference because they perceive their representation in the FS as something lower.

[RESPEKT] Was something actually agreed upon at Lany, or has the Slovak side again passed it over with inscrutable silence? Is an agreement discernible?

[Pithart] Substantial progress was achieved. What is still open are ratifications and something that is supposed to precede the agreement. The Slovak side moreover demands that the National Councils be summoned to this agreement, or empowered by a special constitutional act on the process of drafting the Constitution, to be adopted by the FS. Thus they want the right they already have to get an extra sanctification, something that I find absurd. There will not be a state treaty but this problem unfortunately remains.

### Deputy Kroupa on Constitutional Discussions

91CH0658A Prague MLADA FRONTA DNES in Czech  
10 Jun 91 pp 1, 3

[Interview with Daniel Kroupa, member of the Federal Assembly, by Ivo Slavik; place and date not given: "Natural Law and the State"]

[Text] [Slavik] What is your concept of a constitutional system?

[Kroupa] Our goal is the Czechoslovak Republic. I understand that in the given moment of history it must have a federative system, but we perceive it as a state with one president, one federal assembly, with unified foreign policy and unified economic principles, and with everything that is germane to a federation. We reject the idea of a real federation where the republics grant sovereignty to some federal agencies or transfer part of their sovereignty to some federal institutions.

[Slavik] Could the demand for a real federation be inspired by other than objective and pragmatic considerations—more by a socio-psychological feeling that Slovakia's statehood has not been fulfilled?

[Kroupa] But that is the wrong track on which some members of the Slovak representation are running. A nation cannot be a constitutional factor. It is the citizen who is a constitutional factor. A state, and in the final analysis, also its fundamental document, the constitution, may consider a nation a subject with certain rights but it cannot be the founding subject of the state.

[Slavik] Consequently, a territorial concept of a nation would be more compatible with your view.

[Kroupa] A constitutional system may proceed only from the civic and territorial principle. If today the Slovak Republic [SR], or as the case may be, the territory which used to belong to Hungary for a period of history, wants its own democratic system, it undoubtedly is entitled to it, and it can democratically manage its own affairs by itself, just as every citizen has the same right to manage his own affairs and to elect his representatives. Thus, the competencies and the mandate of federal institutions are not derived from the institutions of the republics but from the citizen-voter. Should this principle be rejected or cast in doubt, that would be a slump below the standard of civilization. Also, that would mean that the Slovak Republic is the sole property of a single nation, and that would be a great error. The SR belongs to all citizens who live on its territory. If it declares itself a republic of a single nation, it would start a conflict with its other nationalities. Such a principle is unrealistic and results in a descent to the level of national and ethnic controversies.

As for the form of our future state, I should like to add that it must begin with the shattering of concepts inherited from the previous system. One of those concepts alleges that laws can be made by the constitutional assembly and no one else, or that the constitutional assembly may pass any laws it pleases. This principle of legalism, of legal positivism, must be eradicated. Everywhere in the contemporary legal theory in the West we can see a shift toward the idea of natural law which presupposes that the state is not the basis of laws. We did adopt this principle already while drafting—albeit very imperfectly—the Bill of Rights. This assumption actually means that the constitutional assembly does not create laws but only identifies them, just as a judge identifies the law for individual parties. This principle is best developed in Anglo-Saxon law, but even on this continent, where we proceed from Roman law, it is necessary to refer to it when constitutions are drafted. If one recognizes this fact, then one can see that the constitutional assembly should not become an undertaking of political parties and that laws should not be the outcome of political conflicts. If a constitutional assembly becomes politicized, it tends to formulate laws that the ruling group will use against other groups. A democratic system where the majority decides is always in special danger that the majority might encroach on the minority.

We believe that rights precede laws. A constitutional assembly must not demonstrate a political or local bias. There can be neither specifically Czech laws nor specifically Slovak laws. Everybody expects crime to be regarded as crime in Bohemia as much as in Slovakia. This leads to a theoretical idea based on F. Hayek's work—that the federal constitutional assembly should not be chosen according to political criteria but, for example, by the same method by which judges should be elected to the constitutional tribunal. I think that mature

individuals with higher education should be represented in it. Such persons should formulate the part of laws which permits it, i.e., civil law. The other part of laws—public law—in fact is not a matter of justice, rather, it represents systems of various organizational rules—it may, and should, remain in the competence of the traditional parliament. For that reason we prefer a bi-cameral parliament. Its higher, apolitical part should draft civil laws, while the other, its lower house, elected according to political criteria, should formulate laws of public rights and serve in traditional functions of a parliament.

[Slavik] Mr. Miklosko said to me in Lany that if it were not for the president, you might never have reached an agreement. Were there many conflicts? What was the bone of contention?

[Kroupa] It was not such a dramatic process at all. Some members of the Slovak representation, around which the majority would probably have later united, demanded that the constitutional law grant national councils the right to conclude an agreement. We did not like that because it would transfer competencies from the Federal Assembly. We fear that national councils would not reach any agreement, which would signal the end of the federation.

[Slavik] Does it not concern you that the lack of an agreement with the current Slovak political representation might provide extraordinary support for the opposition in Slovakia with which it would be even more difficult, if not impossible, to deal in all further negotiations?

[Kroupa] If two parties reach an agreement, then the one who threatens more always wins. We think that there is a certain limit to what we can yield to such threats—be they real or not.

[Slavik] And where is that limit?

[Kroupa] It is set by every attempt to cast doubts on the competency of the Federal Assembly which was elected to draft our constitution. So long as the Federal Assembly fails to come to an agreement on the constitution, the existing constitutional system remains in force. Then we must wait for new elections to elect a new Federal Assembly. If some people in Slovakia feel that they had elected deputies to the Federal Assembly who are unfit and not competent to make decisions, let them elect other deputies so that the new parliament can reach an agreement. But that does not call for their departure from national councils and for letting national councils ratify the constitution, or for turning the competency over to national councils.

[Slavik] What objections do you have against the concept proposed by the Christian Democratic Movement?

[Kroupa] The initial proposal was based on the concept of two states—the CR [Czech Republic] and the SR—that will conclude a treaty and establish certain federal

institutions. We do not have such a situation here. If it were so, the federation would have to be dissolved. Of course, in that case (if we would abolish the federation) we would have to consider whether it makes any sense to conclude a treaty, and with whom. In the existing unified state the only feasible way to meet the Slovak demand for a treaty is an agreement of national councils about constitutional initiatives vis-a-vis the Federal Assembly. They have that authority and are able to accomplish it without any further procedures. For that reason, we must advance from the procedural issues to the contents of the agreement.

[Slavik] If the debate about its contents begins, what direction will it follow?

[Kroupa] Debates concerning the contents will show how in fact the Slovak party views the federation and what competencies it regards as proper to entrust to federal institutions. If the Slovak party should propose insufficient competencies to the federation, then we think that it would be more appropriate to separate both republics, and we would study the options for a civilized divorce.

[Slavik] What options are they? According to some assertions the Czechs would have to pay much less for the separation than the Slovaks, but I am afraid that this assumption may not be realistic.

[Kroupa] Both parties would have to pay dearly for it, and in terms of history, they would have to pay primarily with a loss of their independence. It is a commonly known fact that larger and stronger entities are always better able to survive in Europe. We live in Central Europe and have a good chance, so to say, to play there second violin. The Poles will probably play first violin, if they succeed in lifting themselves up from their economic paralysis. If the CSFR falls apart, the CR will play some kind of a barely audible second fiddle, and the SR maybe the fifth fiddle.

[Slavik] Some people argue that there are other small states in West Europe, but I believe they ignore the geopolitical situation.

[Kroupa] Indeed. They exist in another part of Europe and not next door to the disintegrating Soviet Union in the east.

[Slavik] And moreover, they have well-functioning economic and social institutions.

[Kroupa] They are part of European economic and political structures. Thus far, we have not been so lucky.

### **Constitutional Debate; Search for Democracy**

*91CH0660A Prague MLADA FRONTA DNES  
(supplement) in Czech 7 Jun 91 p 4*

[Article by Josef Alan, director of the Institute for Political and Social Sciences at Charles University:  
"Where Are You Going, (Czecho-)Slovakia?"]

[Text] The dramas staged in Slovakia have captivated our attention so much that we are forgetting their inner logic and deep roots in processes common to all of Czechoslovakia. Paradoxically, they are more incomprehensible for us because they are more visible, and we can "deal" with them better if we convert them to an apparently common denominator—nationalism. Then we can easily ignore the fact that everything is being played out in a situation of social anomy where a system of directives for civic and political conduct still does not function or is only being created. Thus, at this time it is not a question of settling political conflicts; it is a matter of such directives per se. In simple terms, this is a question of—democracy.

Naturally, it would be trivial to regard the nationalistic tone of Slovak dramas as nothing more than a pretext. After all, a nationalistic hysteria has seized the whole disintegrating socialist camp. Nationalism has very rapidly filled the spot vacated by the ideology of "socialism" which was imposed and simplified, to make it more palatable. Nationalism has the same dogmatic, comfortable character: it offers a cheap panacea for every real illness. The only thing is that the patient switches to another healer and another drug. Of course, the etiology of the illness whose symptoms we observe in the daily dramas played on the Slovak scene is not known, but—as it usually happens—it is easier to eliminate one symptom than to treat the whole organism.

The geopolitical base of the current situation is most persistently not mentioned. No wonder: it is best to keep such information from the public eye, although it is clear that Czechoslovakia has again—as at several junctures in her history—found herself at a crossroads where the interests of Europe and of the superpowers intersect. On the one hand, the collapsing empire to the east facing a real possibility of a military dictatorship would understandably prefer a weak and splintered (if no longer well disposed) neighbor; on the other hand, there are rational calculations of the advantages and disadvantages stemming from our integration in the Western (capitalist) alliance. This is an arena where we are the stakes of that game and where we are playing for ourselves as well. If there are any doubts about the possibility of co-existing in one state with such an unreliable partner as Slovakia, how great must be the doubts of our far more demanding partners!

Conversely, the most frequently discussed wellspring of this critical situation is the extent to which our co-existence in the Czechoslovak state might succeed. A failure of Czechoslovakism (despite the fact that the minority of genuine Czechoslovaks living among us amounts to several millions), a return to a coexistence after the experience with the Slovak State, the depreciation of the twenty-year old federation, the clamor for an authentic federation, confederation or an autonomous Slovak republic—all those are stages in our search for a way to share a common destiny. However, the word "destiny" also implies a considerable degree of inevitability and hence, the question whether it makes any sense



to continue this effort. If the natural process of national self-awareness changes into a struggle for national liberation, everything changes, and above all, the goal becomes a mere means.

Another wellspring here is the burden stemming from the building of socialism over the past forty years. Of course, the radical process of transformation which we have begun follows primarily the direction "out from real socialism." There are debates about the answers to questions "Where?" and "How fast?" In the background are realistic special-interest groups; many of them pursued their interests in the former system to such a degree that now they are watching with anxiety the whole development. They had invested so much in their past that they want to transplant the past, albeit in a modified version, into the future. Those are not only the normalizers, the nomenklaturas and their lackeys (their opportunistic part would be quite satisfied if their role were simply forgotten) but also those under whose skin and in whose minds and hearts the ideological construction of communism was impressed so deep that their biographical and personal identity depends on it. They are joined by all incompetent (their academic degrees notwithstanding) persons (mainly bureaucrats) dependent on the state and by shrewd operators who had learned to use socialism to their best advantage. They see the genuine threat of a declining living standard, unemployment, and uncertain "traditional" social entitlements as a good pretext for concealing their legitimate fears. Only after them, those social groups appear on the scene for whom the future means to suffer the consequences of the past system and who are determined to various degrees to bear the brunt.

Thus, the political forces appearing to this day on the Slovak scene exacerbated by nationalism have mustered plenty of support. Thus, their success depends on their skill to convince people that they speak in their behalf and defend their interests: a "struggle for the people" and for the public opinion is underway and—due to the social anomy mentioned earlier—shrewd manipulators of people's assemblies and charismatic leaders find it easier to promote there their views than the more moderate advocates of correct procedures of democratic negotiations. A peculiar "spiral of silence" is beginning to unwind as a process where a single view has started to control the public.

Along with it, the political scene also undergoes a change. First of all, the script of the nationalist drama was altered: it has begun to lose its prominent ground within the Slovak political structure and is now being supplanted by economic and social interests, but on the other hand, its impact on debates about Czechoslovakia's constitutional system has increased. Nationalist arguments continue to be the most effective instruments in the political contest, but the vision of an independent Slovakia is accompanied by more rational fears of a Trojan horse. Secondly, the trend to deviate from a radical economic reform has intensified. It is based on a "more delicate" nationalistic argumentation (respect for

the so called Slovak specifics) and strives to meet the demands of all who fear the nearest future. Thirdly, there is a growing awareness that a transition from a "movement" to a political party is unavoidable. The new formation of the VPN-ZDS [Public Against Violence—For a Democratic Slovakia] in particular realizes the meaning of power, has the will to use power, and recognizes the power of organization. Thus, it compensates for the weaknesses of its program. On the other hand, the democratic wing of the VPN has paralyzed its positive program by assuming far too long solidarity within the movement whose activists and sympathizers distinguished themselves by their indifferent approach to the category of power. The great enigma, the KDH [Christian Democratic Movement], which could afford the luxury of delaying its rise to power, turned into a balancing factor; it did not consider it necessary to be hasty and risk its skin to enforce its own political program. Nevertheless, at the same time it thus reached a tempestuous plane where it must take more risks.

Nevertheless, a fundamental change in Slovakia affects the proportions of the governmental coalition and opposition whose power at the moment has increased substantially (because of its complete internal split, in a democratic state it would have no great prospects; however, it has some chance by taking an autocratic turn). This again determines the possibility of resolving this dramatic situation. One possibility is gradual intensification of our social crisis, advancing destabilization, and growing unrest. A political reaction to such a situation is playing for time: painstaking negotiations, regrouping of forces, compromises with regards to the implementation of the reform and the drafting of laws—all that in the hope that the crisis may be overcome. Another possibility is an accelerated development with a prevailing strategy of conflicts, confrontations, and fast and "radical" solutions. The problem of political legitimacy of our current government and parliament will then lead to a struggle for power which will fully deploy all means (on both sides; that does not preclude the application of emergency measures).

While the Slovak governmental coalition will obviously choose the first possibility, the opposition will opt for the other. Of course, in either case decisions will be made about what will become of Czechoslovakia—in the first instance, in terms of its form; in the other, in terms of its existence—as well as about the fate of our post-November [1989] development and of the process of transformation, in other words, about our future. This is no longer a question of where Slovakia is heading; this concerns all of us.

#### **Benda Defines Christian Democratic Party**

*91CH0645A Prague REPORTER in Czech  
5 Jun 91 pp 4-5*

[Interview with Dr. Vaclav Benda, chairman of the Christian Democratic Party and deputy in the Federal Assembly, by Viktor Vitek; place and date not given: "Right of Center"]

[Text] [Vitek] Mr. Chairman, nonsocialist democratic forces as well as forces with a right-of-center orientation, did relatively poorly in the parliamentary elections. How do you evaluate the current position and political clout of the Christian Democrats?

[Benda] The lack of success in last year's elections was caused by a number of circumstances. The splintering of these forces into many branches and the fact that the Civic Forum [OF] did not have a distinct political profile nor was it differentiated, even though it encompassed a very broad political spectrum, were some of the basic reasons. Especially in the first half of 1990, under the influence of slogans about nonpolitical politics and independent personalities, unarticulated political currents predominated in the OF. During the period leading up to the date set for the next parliamentary elections almost everything important on the political scene will be resolved in a definitive and irreversible manner. The fate of the Federation will probably be decided, as well as the fate of Klaus' economic reform which will either get under way and succeed or will be stopped and abolished, and a new constitution and the most important new laws will come into effect. Under these circumstances we can, as the Christian Democratic Party, play only with those cards in the government and the parliament that we were dealt in the elections. It is a difficult task, but not unrealistic. The first condition for attaining our objectives as a political party was the paradoxically overwhelming victory of the OF. It realistically expected to gain 30-40 mandates in the elections, and for that reason the first 30-40 percent of candidates on the OF ballots were relatively very carefully controlled by the left. Representatives of other political currents appeared there only sporadically. Nevertheless, the OF itself was taken by surprise by the size of its victory. In the Czech lands it received more than 60 percent of the mandates, and it was precisely from the second third of the candidates on the ballots that many seemingly "unelectable" people, politically close to the rightist political parties, came to the legislative bodies.

The consequence of the influence of this second wave of candidates is that roughly at the end of September 1990 the governments finally agreed on the form of the economic reform and resolved to get it under way, in the parliament the strong leftist opposition to the economic reform capitulated, and laws essential for the reform began to be enacted. Generally, a clearer political articulation connected with the shift to the right is beginning to take place in society.

[Vitek] And so today the OF is paying the price for its pre-election program?

[Benda] The OF is today reaping the fruit of its slogans about nonpolitical politics and independent personalities. The result of not heeding the principle that without political parties a parliamentary democracy cannot function. I believe that the pre-election slogans of the OF are basically harmful to democracy, leading nowhere. I am very glad that in the Castle there is a president who is not

a party man in the narrow sense of the word. But I cannot imagine 300 independent politicians in the parliament. That would lead to a system of the Franco Spain type, or Mussolini Italy, a system where, instead of political parties which presume plurality, partners, and represent universal interests, there would function representatives of trade union, student, regional, nationalist, and other special interests. Policies would be formed as a compromise or agreement among these special interests without the universal aspect being taken into consideration. In this respect I welcome the transformation of the OF into normally functioning political parties. The sooner it happens, the better it will be for the OF as well as for the politics in this country.

[Vitek] The main core of activities of the Christian Democratic Party is its struggle in the parliament and its activities in the lawfully elected political structures, particularly in the parliament, the republican as well as the federal. Are there some weak areas in parliamentary politics today which the KDS could target and get some points for it?

[Benda] Our party has six people in the Federal Assembly and seven deputies in the Czech National Council. As for some weak areas in today's parliamentary politics, we think that particularly at the legislative level there is a lack of absolutely everything. We are in an entirely new situation, while the legislative earthquake is taking place in our country already for the third time. After the year 1918 it was not a great problem to build the legal base for a democratic republic, because it was possible to take over 90 percent of the legislation of the old Austria-Hungary as entirely satisfactory, and after 1945 it also was not a big problem because laws enacted during the Nazi occupation were abolished and thus the system from the First Republic came into existence again. Today, continuity has been severed in all respects.

[Vitek] Very well, but if the Deputies wanted to be thorough, then they would have to declare all legal acts since 1948 invalid, abolish the existing legal code, and start to build from scratch.

[Benda] We are skating on very thin ice in the legislature, between the need to change the existing legal code without causing any great jolts and the negative factors which bring it about. We must preserve the continuity of the law but we must not preserve the continuity of injustice along with it. That is a very complicated task in practice, because the entire Czechoslovak legal system is greatly damaged on the one hand, and on the other hand any change of one law necessitates changes in a number of other laws....

[Vitek] The Christian Democratic parties are traditionally distinguished by their emphasis on a functioning capitalist society with a strong social policy, in contrast to the leftist parties which place emphasis on reforming capitalism and on various socialist experiments. But how

do the economic concepts of the European Christian Democratic parties differ from those of the conservatives?

[Benda] Our Christian Democratic Party, because of our specific situation, is on the right of the spectrum of the European Christian Democratic parties. We are in favor of economic reform, because we are starting from zero. We embrace certain aspects of conservatism, but we point out that there is a basic difference between the Czechoslovak and the British conservatism, namely, that in Czechoslovakia there is practically nothing to conserve. According to us, to be a conservative means to be to a certain degree a revolutionary. On the other hand, there is one important aspect where we and some of our Western Christian Democratic partners do not understand each other. Although we consider social justice to be a basic condition of a well-functioning, prospering, and stable society, we are convinced that the realization of social justice must not be entrusted to the state or that it can be entrusted to it only to a limited degree. It is our opinion that to realize social justice the state needs full powers so vast that sooner or later it will revert to a totalitarian and socially destructive system. We see the danger of totalitarianism not just in that real socialism which used to exist here.

[Vitek] Are you more conservative than your West European partners?

[Benda] Basically, yes. Our emphasis on solving social problems takes a direction that is different from theirs. We believe that the realization of social justice is a task for the whole society, beginning with morality and charity in the broad sense of the word and ending with the trade unions and cooperatives. They, according to us, should be the main guarantors of social justice.

[Vitek] Therefore you also support the government's scenario of economic reform?

[Benda] As far as the Czechoslovak economic reform is concerned, we are convinced that it must be carried out quickly and radically. Any dragging, postponing, or slowing down will only make the potential social impact worse. It is possible to tighten belts for a year or two, but it is not possible to stretch the hardships over long decades. We can have certain reservations on some aspects of the reform. Perhaps there is a better model, but the fact is that no other realistic reform plan was submitted in Czechoslovakia.

[Vitek] What is your usual working day like as a deputy in the Federal Assembly?

[Benda] Because of my children (I have six children, the youngest one is 6 years old, and my oldest son is 22 years old) and the activities in our family, I work mostly at night and into the early morning hours. It sometimes happens that I work 14-15 hours in the parliament or on other political activities, and when I return home I have mail on the desk and all the work that piled up during the day. In addition I must prepare for the next day, so that

I have about 4-5 hours left for sleep. I am trying to cope somehow, and basically I solve it by sleeping 12-14 hours whenever I have a somewhat free weekend.

[Vitek] Thank you for the interview.

### **Gal on Slovak Politics, Threats to His Life**

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[Interview with Fedor Gal, former chairman of the Slovak Council, by Lukas Marvan; place and date not given: "The Platform for a Democratic Slovakia Will Not Win the Elections"]

[Text] [Marvan] Did parliamentary democracy win in Slovakia during the restructuring of the government really in spite of the demands of 90 percent of the citizens, as some Slovak newspapers claim?

[Gal] It is not true that the voice of 90 percent of the citizens is different from the parliament's position. It is true, of course, that we still do not have the principles of parliamentary democracy genetically imprinted. Nevertheless, I believe that the Slovak parliament gave a good account of itself. In my view, public opinion is also on the verge of a transformation. Facts, which have been lately becoming public in great numbers, cannot be long ignored.

[Marvan] Are you thinking of the facts concerning Vladimir Meciar's performance in his government function?

[Gal] I am also thinking about the facts connected with his political activities. Facts about who he is and what kind of principles are contained in the platform of People Against Violence, For a Democratic Slovakia [VPN ZDS], facts about the state of the Slovak economy, facts about what the new constitutional arrangement means, facts about the agents' files of State Security and how they are manipulated, and facts about the new emerging coalition which is represented by the Party of the Democratic Left, the Slovak National Party, and the platform of the ZDS.

[Marvan] Did the Slovak parliament forget about the screenings?

[Gal] Frankly, I was never in favor of the screenings. It is a time bomb whose effect is difficult to predict. The deputies from our movement initiated the work on a statute to regulate the screening process. It would involve constitutional factors and would be based on some kind of code of constitutional factors in which screenings would be only one of the items. This legislation should be submitted to the Slovak National Council in the next few days. However, I think that it would be also useful to clarify the situation in the media.

[Marvan] What specifically do you have in mind in that respect?

[Gal] The task of the media is to inform the public and give it a chance to interpret the information. The media should not foist upon the public their own interpretations, which specifically in Slovakia are creating a very unstable political and social climate. I believe that at work here are groups of people whose interests are not known to the citizens.

[Marvan] What is your opinion about the alleged misuse of State Security materials by former Prime Minister Meciar?

[Gal] Apart from the confidential information that I have, if I take into consideration only the generally known facts, it seems strange to me how it is possible to denounce the screenings and at the same time use the information from the files. How is it possible that from time to time there will appear on the Prime Minister's desk an envelope with agents' files or with names of State Security agents? How can the Prime Minister investigate members of his government without an appropriate law? For example, how could Vladimir Meciar express so many contradictory opinions in the case of Jozef Kucerak? Nor can I explain to myself the events concerning the activities of some people from the Ministry of Interior connected with Vladimir Meciar. And I am talking, at that, only about demonstrable facts which will require a more precise explanation than the one given by the Presidium of the Slovak National Council.

[Marvan] Does the ZDS platform "stand or fall" with Vladimir Meciar?

[Gal] The ZDS platform, to my mind, does not represent a unified political stream. There are people of strongly anticommunist orientation, such as Milan Knazko and representatives of the Trnava Initiative, people of leftist thinking such as the activists in the Revival Club, and people, to put it simply, with unsatisfied personal ambitions. Inasmuch as something holds them together, it is the stress on the national dimension and the leadership of Vladimir Meciar. The loss of any of these will set the mentioned grouping in motion. What will be left of it could be the vanguard of some kind of future Slovak social democracy. I make that judgment on the basis of their attitude toward the economic reform. Nothing against that, as long as this party stops trying to bring back socialism with a human face, the leadership principle, and will not endanger the economic reform.

[Marvan] What percentage of Slovak citizens supports the VPN at present? What is the main reason for your unpopularity?

[Gal] Our unpopularity stems from these facts: 1. People's distrust of official power. That is deeply rooted here. 2. The character of the leading personalities. They are intellectuals who have not yet learned how to address their supporters clearly and intelligibly. 3. We are not used to everyday practical politics, conducting systematic educational campaigns, projecting an image, and the like. 4. It is also the nature of this election period dominated by the solving of key problems, which does

not lead to a quick satisfaction of human needs. People feel too much uncertainty, they are discontented, and a specific culprit would come in handy to many.

[Marvan] There is much talk in Slovakia about mafias and family clans, that is, in connection with some politicians....

[Gal] I often read about the problems of the Carnogursky family, about the former Institute of Labor and Social Services which placed so many people in the new structures, as well as about Jozef Kucerak, but somehow I lack facts at this time.

[Marvan] The unpopular Slovak movements and some politicians are allegedly directed from Prague....

[Gal] I found myself in Prague for the first time sometime in February 1990. I was surprised how similar the problems of the OF and ours were. The course that was followed had a common motivation and very similar genesis without any cooperation taking place. The fact that today we cooperate closely with our colleagues in the Federal Government, the Czech and the Federal parliament, and the Czech political scene is, to my mind, absolutely essential. If such contacts did not exist, if we did not try to reach consensus on many fundamental political questions, the common state would break up, and I do not know who would benefit from that.

[Marvan] Do you think that the ZDS platform will win the next elections?

[Gal] If the ZDS platform in its present form were to win the next elections I would move abroad. But the ZDS platform will not win the elections. A similar fate, such as most of the other political groupings met soon after their emergence, awaits it. That is, an internal crystallization, search for its own image, loss of some of the sympathizers, internal splintering, and so on. If they were to succeed in calling early parliamentary elections, they might win. But who would in fact be the winner? One politically immature, unidentifiable mass grouping.

[Marvan] What is your opinion of Jan Carnogusky as the prime minister of the Slovak government?

[Gal] Jan Carnogusky before, as the chairman of the Christian Democratic Movement [KDH], and Jan Carnogursky today, as the Slovak prime minister, are two different Jan Carnogurskys. He knows that it is in the interest of this country and in the interest of his movement that the struggle for the character of Slovakia, which we are now waging, not be lost. It cannot be won by a hypertrophy of party membership, but by opening the doors of the government to truly quality people.

[Marvan] Why was Jozef Kucera dropped from the Government? People are saying that the KDH let him fall....

[Gal] The KDH, even though it is built on the denominational principle, is no monolith. The fall of Jozef

Kucerak obviously is connected with the existence of groups within this movement that have a different concept of the economic reform than he does.

[Marvan] Which political group, in your opinion, will be the strongest in Slovakia in the next elections?

[Gal] There will be two very strong political groups here: the Social Democrats and the Christian Democratic Movement. Beside them there will be a group that speaks to citizens with a liberal way of thinking.

[Marvan] And what about the Party of the Democratic Left?

[Gal] They have a new name, a sympathetic man at the head, a well functioning apparatus, information which they know how to use, but they are still those old Communists. In my opinion, their historic mission is at an end.

[Marvan] At the time when the Civic Forum was splintering you told me in an interview for REPORTER that VPN, thanks to its unity, is the guarantor of election promises. You were mistaken then....

[Gal] My profession is forecasting the future. I already understand a little about the mysteries of this profession. I will tell you frankly that it is possible to predict trends and tendencies in development but it is not possible to predict natural calamities and violent structural changes.

[Marvan] Today the situation in Slovakia is such that you, and not just you, cannot go out in the street without police protection....

[Gal] I always liked people, and I still do, but my attitude toward them has been undergoing some changes lately. I knew that there are people who write anonymous letters, but now I am getting a hundred such letters each day. I knew that there are maniacs who consider it worth their time to call an old woman on the telephone and berate her in a vulgar manner, and all of a sudden my mother is receiving such telephone calls day and night. I knew that there are muggers, and now I really cannot go out in the street. I have not been to a restaurant, cinema, or theatre in months. My life is taking place in two rooms—the one in which I live and the one in which I work. I am transported from one to the other in a car with personal protection. It is not only uncomfortable, it is devastating to one's psyche. What kind of politician would I be if I had to live like this perhaps for several years? And as far as any doubts as to whether I am entitled to protection: People are feeling too insecure, they are dissatisfied, and a specific culprit would come in handy. There are only two possibilities, either provide me with legal protection or let me be killed.

### Resurgence of Fascist Tendencies Noted

91CH0648A Bratislava KULTURNY ZIVOT in Slovak  
28 May 91 p 4

[Article by Peter Stolicny: "Fascism at the Gate?"]

[Text] As I am writing these words the Slovak nationalist skies are calm. Only on the television screen do I see scenes from the memorial in Bradlo where representatives of the Slovak National Council, the Stur Society, and other proponents of an independent state came to "pay their respects." They behave the way they always do. At Stefanik's memorial it is downright tragicomic. Nationalists are claiming a cosmopolitan man; enemies of everything Czech are paying homage to a politician who was an advocate of a common state of Czechs and Slovaks. Moreover, he defended such a state either in Czech or in French. According to their criteria, they should hate this great Slovak of ours. Not knowing history, they admire him. Was he a Slovak? He was. Was he cosmopolitan? He was. Was he banned under the former regime? He was. Then he is ours! Sainly simplicity, I would say with Jan Hus if he were a Slovak....

But seriously now. I think we should not forget. Let us go back two months.

On 11 March, on the Square of the Slovak National Uprising in Bratislava, there is a meeting of followers of Matica Slovenska [a cultural foundation]. Viewers all over the CSFR can see, thanks to television coverage, several banners proclaiming a Slovak state, including pictures of President Tito. There are chants of "Enough of Prague!" and the actress Mrs. Kristinova in a booming, impassioned voice is "quoting" from a bulletin on which we are announcing our entry into the European Council. In her quotation there are actual facts which ignore the history of Slovakia. The people in the square are beginning to get agitated. The Slovaks are justifiably incited. The Matica officials are watching with satisfaction the enraged anti-Czech crowd. It is not just a handful of people. At least two thirds of the people in the square are shouting. And several meters from the podium flutters a blue flag with a white circle containing a red double cross.

Next day, military historians confirm something unbelievable. It is in fact the flag of the Hlinka Guard. Mr. Markus, the chairman of Matica Slovenska, could have done at least a small thing. Step up to the microphone and ask for that flag to be taken down. He did not do it. If he did not recognize the flag, he is a dilettante as far as knowledge of Slovak history is concerned. But if he knew what it was, was he not aware that promoting fascism is the subject of paragraphs 260 and 261 of our criminal code?

The police did not interfere in the Matica rally. Maybe the young men in green thought that the blue flag belongs to some group from Yugoslavia. We must not be angry at the police. They cannot be infallible. More serious is the fact that immediately after the television broadcast no responsible person moved those Slovak displays standing there. Everybody who had the right to decide, to interfere, could see these expressions of fascism. The initiative for that action had to come from the citizens.

At the decidedly separatist meeting on 14 March, the Guardist flag was again flying boldly. And why not, since it goes unpunished. Deputy Panis, the organizer of the meeting, again quietly used the freedom of speech to promote fascism. And in the name of that democracy even the president can get a smack in the face, if it comes to that. He should not have gone there. In the future he will not dare.

At the very same time, under the emblem of Czechoslovak statehood by the Bratislava Museum a group of people is gathering who talk about the federation, criticize fascism, defend the principles of democracy. They are disturbed by a small group of underage Slovak jingoes led by a man in his sixties. Their shouts are sad... crude, not fit to put down on paper. I run to fetch a policeman who is standing about 200 feet away. But from the distance I already see that the shouters have disappeared. Probably they know the score. The youths maybe know something about insulting a constitutional official.

At the gathering by the museum they are signing a petition to prosecute promoters of fascism, and specifically for displaying the flag of the Hlinka Guard.

In several days 875 citizens have signed, even including their citizen's index card number.

The press in the entire republic takes positions on the Bratislava attack on the president. In Slovakia, unbelievable Phillipics are appearing. The president should have known how it will all end, he should not have gone there. Therefore not the raging crowd was the cause of the trouble, but the president, whose presence precipitated this Bratislava event.

On 20 March the mass media brought the news that Egon Lansky, the press secretary of the Federal Ministry of Foreign Affairs, does not know anything about the bulletin from which Mrs. Kristinova quoted. Such an official document simply does not exist. But the words were already spoken, people's emotions aroused, the anti-Czech mood intensified. Alas, the Matica members were precisely the ones who stirred up the confrontational anti-Czech emotions at the rally.

To the Office of the Prosecutor General another pile of signed petitions is delivered.

I was informed in a letter from the section chief of the Office of the Prosecutor General on 22 March that steps were taken to verify the facts and the signed petitions sent to the municipal prosecutor's office. Its deputy announced in his letter of 5 April that he forwarded the petitions to the District Prosecutor's Office Bratislava I. because they have jurisdiction in the matter.

At the rally of Matica followers on 8 April in Kosice the talk was again about politics. The Matica representatives tried to inject politics also into the organizational meeting of the Helsinki Civic Initiative. And it was again

anti-Czech, nationalistic politics. Why is it so? Are there not enough other problems here?

In these economically difficult times folklorist theatre groups in Slovakia struggle to preserve bare existence. It is not clear who will pay for the local library, and where more books will come from. Organizers of artistic performances with a great tradition shrug their shoulders. Hviezdoslav's Kubin—what will be his future...? Where are the times when there was enthusiasm for recital competitions? Where are the Matica people in every corner of Slovakia who would see to a real cultural and democratic development of expressions of national identity?

Incidentally, I recently took a collection of books, put together by Vepeenka [as published] to Slovaks in Romania. They need so many things in Nadlak.... The dentist needs a score of spare parts for his drill. The car of the Democratic Union of Slovaks and Czechs in Romania needs new tires. The director of the theatre group (Elena Kmetova-Boda) would need duplicated texts and repertory advice. In the district of Bihor, where there are no paved roads, where there is no electricity, they need less luxurious "trifles": warm footwear for the children, basic medicines, nails, matches, candles. We brought enough books. Only the light to read by is occasionally lacking....

Matica, where are you...? The fascist flag on the square in Bratislava will not be of much help to the Slovaks in Romania.

Two months have passed since the flag of Hlinka's Guard made its appearance in the square. I am sitting in the office of the district prosecutor, Dr. Hamelova. She says that the prosecution will employ all justified means in order that the investigation does not take a long time. But it could take a long time, she adds. Who knows how and who will slow down the investigation. I do not like the helpless expression on the prosecutor's face. She explains... Unfortunately, many people think that here a prosecutor is somebody like those in the Italian films with inspector Catani. Speeding car, flashing lights. Here, the direct investigation is conducted by the police, or more precisely, the District Investigative Office Bratislava I. Everything is at the verification stage, even the television tape from the rally. Because the investigation is at that stage, the prosecutor cannot make anything public. It could hinder the investigation. I am beginning to feel more confident. I believe that I can believe this prosecutor. I would like to extract some time limit from her: What does it mean that the investigation can take a long time? Until the summer? Until the fall? The prosecutor thinks that a long time would be until the end of May.

One more question: What punishment awaits the promoters of fascism? I find that according to the appropriate paragraph it could be six months to eight years. I am taken aback a little. I am not vengeful. I thought that

a fine would suffice to cool mixed up heads. But the prosecutor shakes her head. In this case the penal code is silent about a fine.

I have summarized everything that happened during a short time. Slovakia showed the world its worse face. The Communists can raise their voices: That would not have happened during the former regime! The nationalists are saying: You are making a mountain out of a molehill! The Jews are deeply offended: In the square they are defending Tiso, the head of a state which has ten thousand murders on its conscience!

I would just as soon forget all those bad things. They did not happen.... But what if it happens again tomorrow, even more emphatically and aggressively? It already happened once.

### Academician Decries Idea of National Science

91CH0647A Bratislava KULTURNY ZIVOT in Slovak  
28 May 91 p 1

[Article by Stefan Markus: "Slovak Science or Science in Slovakia?"]

[Text] I want to introduce this short article with the ironic statement of Konrad Lorenz: "Great science today is not considered to be science about the most important matters affecting our planet, or science about the human soul or human spirit, but science which promises money, energy, or power, even if it is a power to destroy everything that is truly great and beautiful."

Even science is subject to fashion. However, rationally thinking people have nothing against fashion, as long as it goes hand in hand with functionability, beauty, and practicability. In my own scientific discipline, celestial and environmental mechanics, three fashionable waves have succeeded each other during the past 30 years: nonlinear mechanics, stochastic mechanics, and mechanics of chaos. I became involved with all three in succession, because not doing so would have meant ignoring the world trends, or, if you will, what is fashionable in science in the world.

I always conceived this "going along" with what is fashionable in science in the world as a cosmopolitan attitude. As the need to keep up with the world. As inevitable in order not to fall behind and be able to enter the arena of competitiveness.

My own experience informs me that contributions by individuals or collectives to the world's scientific pool are not motivated by nationalism or patriotism. We do not enter the competition in profound scientific knowledge because we want to show that a Slovak brain is exceptional, but because of the idea that as thinking people we accept the challenge of science. Scientific knowledge is totally independent of a national flag, because it is the result of the universality of the human spirit.

To dress science in national colors is a degradation, an outright theft of something that belongs to all mankind. The astronaut Neil Armstrong did not speak during his moonwalk about a "small step by an American or America" but about a "great leap for mankind."

By saying this I want to express and underline the idea of the universality of science and the cosmopolitan scientist. At the same time I want to warn about the danger of appropriating something as "Slovak." Something that basically does not belong to us. This problem is obviously a great problem of the ethics of science.

How is the process of denationalizing science actually related to the statement of Konrad Lorenz? I believe that thinking about a national nature of science is pressed on us by politicians and pragmatic economists. Their vocabulary is full of terms such as money, energy, trade, power, production, and in the context of the market economy we also see a new phenomenon—research marketing. I hope that the scientific community also recognizes at the same time that there are traps. Science is essentially dependent on money and energy. But in the mind of the scientist the desire for truth should precede the desire for money and power.

I would like to propose the following. The scientific community is being seduced to consider the national aspect of scientific research by a slogan that is now already outdated. Science must contribute significantly to the production sphere and help the economy to function. But in stressing that we come very close to the Marxist conception of science. If something in the past was a mistake, then the bombastic "Science as production force" certainly was. The experiences of many disprove the validity of this slogan. Moreover, such a view of science certainly is not the "great science" about which ethologist Lorenz spoke.

I do not doubt that all scientists harbor the desire to make their mark in great science. We want at least to touch the shadow of those "most important affairs of our planet." Such efforts can only be science in Slovakia and not a special Slovak science, which is definitely connected with money, energy, and geopolitical ambitions.

Basic research draws on and lives on global thinking. Localized thinking in science only leads to a blind alley. It is a perspective that is always selfish, maybe grand in the nationalistic sense, but it is never global. To be global in science means, above all, not to be narrowmindedly national.

"The most important affairs of our planet" may in time be localized in a territory—for example in Slovakia, but that does not mean that it is a problem for Slovak science. It is undoubtedly a problem for science in Slovakia that cannot be solved without interaction with science outside of Slovakia.

The purpose of my article is to advocate science in Slovakia. Not Slovak science. We have taken steps to enter the world, to enter Europe. Does not science from



Slovakia, identified with sheep, peasant's shoes, and noodles, look at the very least laughable in the world of great science?

### **Trade Negotiations With Southeast Asia Discussed**

*91CH0637B Prague HOSPODARSKE NOVINY  
in Czech 21 May 91 pp 1-2*

[Interview with Jozef Baksay, minister of foreign trade of the CSFR, by Karel Klouda; place and date not given: "It Is Not Possible To Do Business Wearing Kid Gloves"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The prime minister of the federal government, Marian Calfa, returned home following a one-week journey which took him to five nations in Southeast Asia. His entourage also included Jozef Baksay, minister of foreign trade of the CSFR, who responded to several questions posed by HOSPODARSKE NOVINY, while still aboard the aircraft.

[Klouda] In what do you see the main significance of this visit?

[Baksay] Primarily in the fact that it took place. After all, these five nations will soon be economically dominant throughout a large part of Asia. While I am primarily thinking of Thailand, Indonesia, and Malaysia, where we had the most extensive negotiations, Brunei and Pakistan also belong here, where our visit only took about two hours in each country. For example, in Karachi, our negotiations with the minister of commerce opened up express opportunities to penetrate into the local market. We would be very interested in participating in geological prospecting in that country and to share in the development of the energy industry. It is precisely in these areas that we have a traditional background.

[Klouda] Would you be able to characterize the most important agreements which you concluded during the journey?

[Baksay] I would not like to characterize some agreements as being the most important. For example, we concluded agreements dealing with the prevention of double taxation which will make it possible for Czechoslovakia to make the penetration of capital into the Asian part of the world, and vice versa, easier. In Malaysia, we signed an agreement on doing away with visa requirements, something which is an invaluable service for business people. In Indonesia, we signed a memorandum of understanding which encompasses specific commercial activities which can be realized. In other words, this is no empty proclamation. Entrepreneurs who accompanied the government delegation signed important contracts. For example, the CKD enterprise concluded a contract for delivery of diesel aggregates valued at \$5.5 million and the Chirana Enterprise of Stara Tura signed a preliminary agreement for deliveries valued at approximately \$50 million. This not

only involves health care equipment, but also encompasses complete deliveries, ranging from design work to the internal equipment of hospitals. We were also engaged in solving the problem of diversification with regard to sources of petroleum. We do not wish to be tied to a single pipeline, but, on the other hand, we cannot afford to transport petroleum over large distances at great expense. We must seek new business opportunities—reexport, swap and switch operations—which are customary in entrepreneurial circuits, but have been neglected in our country.

[Klouda] According to information obtained from our delegation, we are also reported to be considering joining the Asian Bank for Development....

[Baksay] We want to present such a proposal to Minister V. Klaus. We believe that by joining this bank we would become shareholders in it and the bank could then finance some large projects which we are preparing. For example, the electrification of Indonesia, specifically the building of long-distance high-tension transmission lines, a project worth approximately \$300 million. We cannot regard banking only as a sector which recomputes money and moves it from one pile to another pile. Banks must use money like a commodity and turn it over because this is the only way in which money can bring additional money. This is an old law....

[Klouda] The annual economic growth rate in the countries you visited is around 10 percent. This will make them into potentially new "Asian tigers," such as Taiwan, South Korea, or Singapore are today. Is that not too large a mouthful for our foreign trade to swallow?

[Baksay] No, it is only proof that the strategy of our foreign trade is correct. All travel which we have thus far accomplished has taken place on the basis of, I would say, aggressive business policy. We must apply this policy because doing business wearing kid gloves is no longer possible. I do not have in mind any unfair or dirty business: A businessman must be the kind of fellow who, having been thrown out of the door, must crawl back inside through the window and so on. It is only in this way that he will obtain the "business" for which tens of others are fighting.

### **Federal Social Policy Developments Discussed**

*91CH0623A Prague HOSPODARSKE NOVINY  
in Czech 30 Apr 91 pp 9-13*

[Unattributed article: "Report on Social Policies of the Federal Government"]

[Text] The purpose of this material is to assess from social points of view the heretofore stages of implementation of the economic reform, and to identify fundamental problems existing at present and projected for the current year in the sectors of employment, wages, and social policy, as well as the implemented measures and other kinds of solutions. The approach to solutions in this area was chosen so as to help make the reform



feasible, to mitigate undesirable social tensions, and to encourage the citizen's interest in his active participation in the reform process.

The escalating rate of unemployment calls for particular attention especially to certain areas and specific groups of our population, above all, our young people. The fundamental solution rests on structural changes and on the adaptability of enterprises to exacting market conditions, on an effective employment policy, and above all, on accelerated establishment of small businesses, retraining and greater expansion of works serving the public. The main objective in the wage area is to streamline the development so that wage increases do not result in an impulse toward inflation and so do not deviate from the stipulations of the General Agreement.

As concerns social security, the government endeavors to interconnect and balance it by maintaining appropriate, objectively justified relations between the lowest wages and transfer payments; specifically, this pertains to correlations between amounts of minimum cost of living, pension as the only source of income, health insurance, minimum wage, unemployment benefits and also amounts of parental bonuses, children's benefits and so on. When discussing the amendment and valorization of those incomes and benefits, the government must proceed from economic realities. The method of valorization and the amount of benefits must not weaken the incentive to work; consequences of an economic stagnation must affect this area to a lesser extent.

When implementing individual policies and decisions, the point of departure is the division of competences between the Federation and the Republics in the manner stipulated by the constitutional law. The fundamental principle of integrated economy, particularly in terms of the establishment of a labor market and a free movement of the work forces, is observed. It is linked with a universal amendment of the federal law on the fundamental issues of employment, labor relations, wages and social security. Administrative procedures in these sectors were in essence transferred to the jurisdiction and responsibility of appropriate agencies of both republics. However, experience has shown that it would be counterproductive to strip federal executive agencies of their authority and responsibility for the implementation of the adopted legal policies and that it only leads to problems.

### 1. In the Sector of Employment

In terms of employment policies the year of 1990 may be characterized by the effort to establish a labor market—its institutional, legal and structural arrangement. A system of state labor agencies was created—the ministries of labor and social affairs of the CR [Czech Republic] and the SR [Slovak Republic] were organized, and a network of labor offices was set up. The legislation ensured material support to citizens for the period of their unemployment or retraining, and during structural

and organizational changes. The law on employment and subsequent legal norms had been drafted.

In the development of employment per se, a completely new trend emerged, and covert over-employment turned into overt unemployment. That was further aggravated by organizational changes in the entrepreneurial and budget-supported spheres. The development in the labor market was affected by serious demographic consequences of baby boom in the 1970's. The increment of sources of labor forces at is present approximately twice as high as that of the 1980's (the calculated difference between the increase of potential labor sources and their loss—especially due to retirements and fewer foreign workers—is more than 100,000 persons annually). Conspicuous increases of labor sources will continue for the next four or five years. Sources of labor forces were further strengthened by shorter compulsory military service (representing on the average about 20,000 additional workers annually).

The rate of employment in the state and cooperative sectors of our national economy was down by 216,000 persons. This decline accelerated further in the course of the year.

On the other hand, thus far the private sector has been growing slowly. Toward the end of 1990, 488,000 private entrepreneurs were registered, but private business provides primary occupation for less than 20 percent of them, and to date only few of them employ their own employees. Economic activities of the population in post-productive age have slowed down and the number of foreign workers also declined. The rate of employment dropped relatively fast in the main branches of production, i.e., 5 percent in agriculture, 3.4 percent in industry, and 6.2 percent in construction.

During 1990 the declining rate of employment in the state and cooperative sectors reflected their effort to economize; that was connected with a change of their organizational structures. Uncertain outlooks of enterprises and deteriorating marketing conditions have failed to stimulate creation of new jobs. Some increases in employment were evident only in the school system, in health services, housing economy and financial services. If a year ago we began registering the first unemployed, as of 31 December 1990 there were 77,000 of them. Unemployment rose with an increasing rate from the west to the east of the republic. Unemployment affected more women than men, more disabled persons than able-bodied citizens, and more Romany citizens than members of other nationalities. The younger age categories are considerably hurt by unemployment. Persons under 30 years of age constitute 25.9 percent of our working population but represent 48 percent of the unemployed. In the first stage of the development of a labor market, white collar workers were affected more than blue collar workers. Organizations as well as the center are trying to cut down their managing and administrative personnel. At the same time, this strikes unskilled workers and high school graduates the most

and skilled workers the least. The numbers of unemployed—both blue collar workers and professionals in the CR as well as in the SR—have already exceeded the number of registered job opportunities. State budgets of the CR and the SR had earmarked for 1990 about 1.5 billion korunas [Kcs] as a special contingency fund for the solution of problems related to unemployment. Of that, only Kcs227 million were used for unemployment benefits. Nothing from this contingency fund was spent for the provisions of an effective employment policy, i.e., programs of assistance to small enterprises, for retraining courses organized by labor bureaus, etc., have not been implemented for lack of support of the legislation.

The objectives of the employment policy for 1991, formulated within social correlations of our economic reform, are characterized by an effort to balance offer and demand of jobs. In accordance with the procedure adopted for the economic reform, laws on employment and collective bargaining, the amendment to the labor code, and several lesser legal regulations dealing with problems of an effective policy of employment and material security of citizens during periods of unemployment and organizational changes were adopted and on 1 February 1991 put in force.

Within the General Agreement for 1991, principles promoting an effective employment policy were adopted. This concerns above all the drafting and financing of state and enterprise employment policies, including retraining programs. Special employment programs will be organized for certain areas which in all probability will be affected by the phasing out of some types of production, as, for instance, in the Ostrava region; by the conversion of arms manufacture in central Slovakia; by the cutbacks in uranium mining, particularly in the Pribram area; by the reduction of the production of lignite, and the cutbacks in power engineering in the North Bohemia region. The General Agreement further stipulates that social partners jointly support regional entrepreneurial programs. Moreover, it was agreed that financial aid (such as subsidies, defrayment of interest) may be offered to job seekers who have chosen private enterprise as their fulltime occupation. Published regulations help create useful jobs, public utility works, and retraining programs for workers.

In accordance with the General Agreement, state budgets of the CR and SR set aside a special contingency fund for the solution of employment problems; it amounts to Kcs9.535 billion, of which Kcs5.4 billion is allocated for the CR and Kcs4.135 billion for the SR.

The republics have designated a substantial part of this contingency fund for practical measures of their employment policies. The CR had earmarked Kcs300 million for retraining programs, Kcs750 million to organize public service works, and Kcs300 million for works serving the public; that represents 25 percent of the assets of the CR's contingency fund. The SR has allocated Kcs320 million for contribution to employers for

retraining programs, Kcs432 million to organize works serving the public, Kcs216 million for public utility works, and Kcs656 million for educational programs, i.e., 39.3 percent of the contingency fund for the SR's effective employment policy.

Thus, the above-mentioned special contingency fund amounting to Kcs9.535 billion may provide, on the average, material aid for about 330,000 unemployed annually (if we disregard the rise of the cost of living), which corresponds with the average annual unemployment rate equal to about 4.2 percent. At present it already appears that these funds will not cover unemployment this year. When the legislative councils of the republics discussed unemployment, they obviously underestimated its extent. Initially it was assumed that there would be about 150,000 unemployed in each republic by the end of 1991. Financial funds designated in the budgets of the republics would be sufficient for that number of unemployed.

Judging from the current development, it is estimated that each republic will have 150,000 unemployed already by the end of this May. In its Strategy of Employment for 1991-92, which the Federal Government discussed in the autumn of 1990, the Federal Ministry of Labor and Social Affairs anticipated a realistic level of unemployed set at 460,000 (i.e., nearly 6 percent) at the end in 1991.

On 31 March 1991, however, there already were 184,612 unemployed registered in the CSR, i.e., 2.4 times more than the situation at the end of 1990. Thus, after the first three months of this year the unemployment rate in the CSFR reached 2.55 percent, with considerable regional differences and an increasing tendency. The share of unemployed is 1.94 percent in the CR and 3.83 percent in Slovakia. The krajs of North Moravia and North Bohemia report the highest unemployment in the CR (2.25 percent and 2.59 percent, respectively). The most seriously affected okreses are Znojmo (4 percent), Tachov (3.94 percent), Pribram (3.75 percent), Bruntal (3.65 percent), and Opava (3.57 percent). In the SR the East Slovakia kraj has 4.96 percent, and the West Slovakia kraj 3.91 percent unemployed. The absolutely worst situation was recorded in the okres of Rimavska Sobota with 7.25 percent unemployed.

More fundamental structural changes—related to dismissal of workers—may be expected in the future because so far the rising insolvency of enterprises has had only a minor social impact. Also, the employment rate has only very slightly reflected the consequences of a marketing crisis caused not only by the collapse of the markets of the CEMA countries and by restrictions on investment funds but also by chronic shortcomings in the quality and assortment of goods, and by inefficient Czechoslovak production because many enterprises are incapable of reacting flexibly to conditions in the market and to changed circumstances.

The increasing unemployment of graduates sounded a warning late last year and early this year. As of 31 March

1991, 15,897 of them had no jobs. More than 4,000 unemployed are young people who completed basic education and for whom the law on employment does not provide any material aid during unemployment. They can obtain aid only on the basis of the law on social security.

The escalating unemployment of youth poses a serious problem demands special attention of agencies of both republics as well as of the federation, especially because the most numerous classes of baby boomers of the 1970's are yet to come. Furthermore, problems of unemployment of women, handicapped people and Romany citizens are also on the upswing. There is a real danger that those social groups that prefer unemployment benefits or social assistance to work will spread. Should unemployment benefits fail to meet their purpose, i.e., motivate job seekers to look for work and material security, it may be necessary to reassess their amount.

It is imperative to enforce an effective employment policy. This conclusion follows from the general trend in the development of the steadily diminishing job opportunities. As of 31 March 1991, only 58,397 jobs were available in the CSFR, 51,645 of them blue-collar jobs and 6,725 white-collar professions. At present, the situation is more difficult in the SR with only 9,740 job vacancies, 8,674 of them for blue-collar workers and 1,066 for white-collar employees. It is a moot question whether this situation may further deteriorate, because the current reporting system is not yet perfect.

On the agenda of the Federal Government are drafts of an employment program aimed at providing jobs for employees dismissed from work due to major structural changes. Methodological instructions have been prepared for the processing of those drafts. A state-wide program was set up to assist to and develop small businesses that are considered to become a significant source of new jobs, including employment for the newly registered job seekers. This program includes:

- Information and counseling services for small enterprises and additional services for small entrepreneurs;
- Training and educational programs;
- System of financial aid and guarantees as a decisive mechanism of assistance to small enterprises (in addition to the already existing tax relief).

Active measures of the employment policy on the level of the republics include also help to employers with creation of works serving the public, organization of public service jobs, and retraining of citizens.

Foreign support also helps expand employment opportunities; an example of that is the program of aid to and development of small businesses included in the Phare program; Great Britain, the United States and the UN Development Program have offered their assistance. Nevertheless, the primary point of departure to the solution of our employment problems is the general focus of our economic policies; foreign aid should be regarded as a supplementary factor.

An effective employment policy is only beginning to be implemented. To gain momentum, it must use to its advantage the support of our public opinion and particularly the fact that it certainly is more expedient for our society to organize, according to local conditions, various public service works (janitorial, cleaning and maintenance services as well as small construction projects) than to passively disburse unemployment benefits.

To reduce excessive disproportions in the labor market, the state employment policy will also focus on tolerable cutbacks in the offer of work forces. This will directly and indirectly influence the interest in, and the need of employment on the part of some groups of our population whose material security does not entirely depend on earnings from their work. The objective here is, for instance, to control further employment of retired persons by restrictions on emergency pension benefits paid concurrently with wages.

**Representative Model of Potential Development of Minimum Wages and Costs of Its Application**

	1991				
	February	March	April	May	June
Index of living costs of households of employed workers (December 1990 = 100)					
—Estimate	131.8 <sup>x</sup>	136.6 <sup>x</sup>	140.0	145.0	145.0
—Used for adaptation of minimum wages	0	0	131.8	136.6	140.0
Minimum wages (Kcs/month)	2,000	2,000	2,636	2,732	2,800
Number of workers with earnings up to the amount of the minimum wage (thousand persons)	400	400	1,390	1,613	1,771
Share in the total number of employees in percent	5.9	5.9	20.5	23.8	26.1
Range of wages payable contingent on minimum wages (million korunas per month)	800	800	3,664	4,407	4,958

**Representative Model of Potential Development of Minimum Wages and Costs of Its Application (Continued)**

	1991				
	February	March	April	May	June
Share in total volume of wages payable in percent	3.0	3.0	13.5	16.3	18.3
Range of differential payments to minimum wage (million korunas per month)	141	141	812	1,011	1,152
Share in total volume of wages payable in percent	0.5	0.5	3.0	3.7	4.3

\*Actual index of living costs of households of employed workers

Furthermore, this objective includes a new concept of training of youth for jobs, control of international mobility of work forces, regulation of the total work period, for instance, by legally extending the vacation time, by creating conditions for a shorter work time, etc.

The market mechanism call for work forces who are flexible in terms of time, space and occupation. Preconditions for that must be provided already by our educational and training system. Therefore, it will be advisable to extend compulsory school attendance to 16 years of age, with an emphasis not only on thorough occupational training but also on desirable humanization of education of all our youth. This will have an additional positive effect by delaying the moment of decision and by focusing more specific interest on the goals of occupational training contingent on the situation of the labor market. Secondary schools, including secondary vocational facilities, will then be able to offer a curriculum of professional knowledge that is broader, albeit less specialized in details than the current one. This also will ensure required adaptability of work forces, greater adaptability to the changing character of labor, or as the case may be, to changing structures of available jobs.

Further education, including retraining, should flexibly and if possible, instantly adapt the professional structure and qualification of adult employees to our new economic needs. Today the main problem in the enterprise sphere stems from uncertain production programs. For all practical purposes, the process of conceptual education and retraining has not begun at all or only to a very limited extent. As a rule, educational and retraining programs of enterprises are being introduced only where the economic outlook has been specified.

The cardinal problem with efficient retraining of registered job seekers is actual ignorance of what the labor market needs. Therefore, regional retraining programs still are unique and most of them involve only individuals. As of 31 March 1991, a total of 118,000 job seekers received benefits before their placement, but only 628 of them had been retrained in the CSFR, including 90 in Slovakia. In fact, retraining programs have been introduced since the beginning of the current year, and so it would be premature to assess their results, especially as concerns placement of their graduates in jobs. A training course for persons interested in private enterprise within

the small privatization program and an entrepreneurship program for women are now being tested. The experience gained in them will help implement the state employment program and develop small programs of entrepreneurship which will train small and middle-level entrepreneurs. Decision No. 546/1990 of the Slovak government appointed the Governmental Commission for Retraining, which adopted the Principles for Retraining Programs at its first session in March of this year. In addition to state retraining programs, programs of the republics will be planned with a special focus on management, marketing, computer technology, administrative procedures, small construction, tourism, banking and financial operations.

The Government of the CSFR adopted the principle of currency, credit, financial and wage controls as a necessary factor in its fight against inflation. In this respect, social correlations of our economic reform cannot be underestimated. The future development of employment depends above all on economic policies and programs of enterprises. State labor agencies drafted procedures of an effective employment policy of the governments but all they can accomplish is to blunt the social impact of our economic reform.

## 2. In the Area of Wages

In 1990 wages and total cash earnings of employees followed a relatively moderate and basically non-inflationary course. Wages paid were not a factor that aggravated the imbalance in the market of consumer goods (as compared with 1989, real purchasing power of wages on the average was down 3.1 percent—reflecting the effect of the state compensation payment). Despite a slightly higher volume of nominal wages (Kcs3.4 billion, i.e., 1.1 percent for the state and cooperative sector), in view of the decline of gross domestic product (3.1 percent) and a lower production in the primary branches of industry (industry down 3.7 percent, construction down 6.6 percent), the effect of wages on the escalation of total costs was moderate and did not turn into a major factor in inflationary trends.

The development of average nominal wages (with a 3.6 percent rise of their total level) was quite varied; wages marked a more dynamic development in several branches of services—domestic market (up 7.2 percent),

communications (5 percent) and health care (7.6 percent). Incipient structural changes corresponding with our transition to a market economy began to affect the development of wages; differences in the development of wages among organizations increased conspicuously—wages of 12 percent (as compared with only 9 percent in 1989) of employees decreased or stagnated and wages of 32 percent of employees (in 1989 of only 12 percent) rose over 5 percent. Less than 6 percent of workers earned less than Kcs2,000 a month even though they worked full time. The monthly wages of approximately two-thirds of all employees were in the Kcs2,000 to 4,000 range.

The objective of the state policy in the area of wages and earnings in 1991 is a situation where the development of nominal wages does not act as a factor of an inflationary cost spiral, and where it is inevitable to temporarily decrease the level of real wages because their dynamism will be to a certain tolerable extent lower than the rise of the level of consumer prices and costs of living. At the same time, it is assumed that, according to the achieved economic efficiency, increases of nominal wages will fluctuate. This will be reflected in graduated decreases of the level of real wages.

For that reason, wage controls were adopted for the current year. In organizations engaged in entrepreneurship, they are based on the application of special regulatory taxes that draw off the profits of organizations if the dynamism of wages included in the costs exceeds the targeted growth. In addition, for special payments enterprises may use assets from disposable profits up to 20 percent of the non-taxable volume of their wage and other personal costs.

The targeted growth of average nominal wages is stipulated for individual quarters of the year and adjusted according to the development of the cost of living pursuant to methods stated in the General Agreement; its purpose is to determine the targeted growth of wages so that—assuming that the organization will accumulate necessary resources for the fulfillment of the targeted growth—the level of real wages in 1991 does not decline more 10 to 12 percent below the level of the cost of living achieved at the end of 1990 (in December).

Nevertheless, the targeted growth does not directly prompt wage increases. Wages of individual employees may be adjusted solely within the limits of sources for rewards (wages payable) derived in enterprising organizations from the results of their economic activities, and in budget-supported and self-supporting organizations from regulations of financial management and wage control. Here it is necessary to proceed in accordance with wage regulations, or as the case may be, in accordance with them, to follow the stipulations of collective contracts.

For orientation, on the basis of the data for the months of January through March of the current year it may be estimated that the decline of real wages in the first quarter of 1991 (as compared with December of 1990)

exceeded 15 percent (assuming that the targeted growth of wages, which amounts to 9 percent, will be met and that the cost of living in the first quarter will be about 31 percent higher than in December 1990).<sup>1</sup> Because some supplies had been purchased in advance last year, the actual decline of the living standard will be slightly mitigated. Due to the development of the costs of living, the targeted growth of wages during the second quarter will amount to 22-23 percent according to ratios adopted in the General Agreement.<sup>2</sup>

In order to sustain the incentive effect of tariff and especially supra-tariff components of wages contingent on results of labor and economy, beginning in the second quarter employees may be offered—to the extent of disposable sources of rewards in individual organizations—wage supplements to compensate part of higher cost of living. Organizations in the entrepreneurial sphere will have full authority to pay such compensations and to determine their amount and conditions for their payment, or these issues may be negotiated in collective contracts or in labor contracts; the supplements will be included in the costs and subject only to stipulations of regulatory taxation of wages. Budget-supported and self-supporting organizations also may use compensation as stipulated by appropriate ministries of labor and social affairs.

Actual wage development will depend on the volume of resources for rewards created by individual subjects (organizations) in the entrepreneurial sphere. It may be assumed that the higher the targeted wage growth, calculated from the attained cost of living index, the more organizations will have limited sources for the targeted growth; there is a risk of a lower rate of the development of nominal wages, which could escalate the decline of real wages. The basic factor restricting resources in many enterprises stems from marketing problems not only in foreign but also in domestic markets. Also, the insolvency of some enterprises indicates a strong possibility that the targeted growth may not be achieved. Obviously, a limited number of enterprises will accumulate more resources and be able to pay higher wages from profits.

Fulfillment of the targeted growth of wages leads to problems in the budget-supported sphere. Higher demands for wages payable may be covered in part with funds saved from other costs, from higher earnings from operations or from unused resources in the budget. In the first quarter of 1991 more wages payable from annual may also be drawn from the total budget for the year; the same procedure may be repeated in the second quarter. For the following quarters the governments will assess options for obtaining additional resources while maintaining a maximum wage economy so as to achieve an approximately balanced growth of wages in the entrepreneurial and budget-supported spheres.

The introduction of a minimum wage fundamentally changed payments of wages. To implement them according to the General Agreement, considerable

accrued wage funds will be spent to cover stipulated demands. That leads to several risks due to initial minimum wage (Kcs2,000 per month) and especially to monthly adjustments of its amount in direct proportion to the increases of the cost of living. With the 31.8 percent rise of the cost of living in February of the current year (as compared with December 1990), beginning in April the minimum wage should be set at Kcs2,636 per month. That would rapidly expand the number of employees (from 400,000 to 1.3 million persons) receiving minimum wages as well as the volume and share of wages payable contingent on payment of wages and the amount of payments to supplement minimum wage. (For illustration, a model of potential development is presented in the table.)

Amendments on minimum wages pursuant to the General Agreement will undoubtedly produce these socioeconomic consequences:

a) A certain number of organizations will lack the means to cover their payroll even at the level of the stipulated minimum wage. These are primarily organizations where average earnings are near the minimum wage line, above all, cooperative organizations, for instance, cooperatives of disabled persons, local cultural organizations (libraries, museums, galleries), local economy and services; minimum wages in those organizations may exceed their current average wages. Furthermore, this concerns organizations where average wages may be higher—with respect to the structure of professional qualifications—but where more employees receive minimum wages (for example, the school system and health services). If minimum wage increases, some organizations will not have enough funds to pay it. This would result in:

—Insufficient wages payable in some of those organizations, especially the budget-supported ones, may jeopardize their economic balance and even their very existence. Such organizations will require subsidies from the budget and relief from applied wage control mechanisms; they will curtail their schedule of operations and cut back their personnel, and will no longer fulfill their social role;

—Other organizations will be forced to reduce the number of their employees who earn minimum wage (for instance, young people, women with children, and the Romanys), and scale down the schedule of their operations and work time; with restrictions on increases of wages paid to employees with higher incomes earnings will become more uniform;

b) There is a risk that if the level of their wages is guaranteed earners of minimum wage may lower their output and even employees whose earnings are near the minimum wage line may no longer be motivated to increase their production;

c) High minimum wages may gradually prompt both the employers and the employees (in the interest of cost-cutting and saving their jobs, respectively) to disregard the stipulated minimum wage and rather, to negotiate for lower wages.

In view of the above-mentioned risks it seems necessary to discuss a change in the General Agreement pertaining to adjustments of minimum wages to the development of costs of living. The purpose of that change is a more moderate adjustment of minimum wage in relation to the growth of the cost of living and moreover, in principle, a transition to a quarterly periodicity of adjustments. A specific approach should ensue from collective bargaining with social partners, especially trade unions. In the coming years minimum wages should not be included in the General Agreement.

As for rewards to individual employees, in 1991 the heretofore universally mandatory regulations continue to apply in accordance with the General Agreement in the entrepreneurial and budget-supported spheres; collective contracts may further specify conditions for the entrepreneurial sphere. By the same token, intensive work on specification of the principles for a wage reform is underway primarily in the entrepreneurial sphere and thus, enterprises may start preparations for their implementation approximately by the middle of this year.

It is assumed that regulations on rewards applicable to date will expire no later than 1 January 1992. In the entrepreneurial sphere they will be replaced by collective contracts or internal regulations stemming from collective bargaining between social partners (employers and trade unions). Centrally it is presumed that tariff categories (classes) will include only classifications of pivotal works and functions, and furthermore, the amount of minimum wage tariffs and minimum rates of several entitlement supplements to wages. At the same time, new regulations (laws) on rewards to employees in the budget-supported sphere are being gradually drafted.

### 3. In the Social Area

As concerns pension benefits for 1990, first steps were taken to remedy past injustices. Since May 1990 conditions for independent wage earners and employees under employment contracts have been unified and in October pension payments granted before 1 October 1988 were increased from 4 to 10 percent of the amount of the pension, gradated according to the period when the pension was granted. This adjustment was intended to slow down the decline of real value of pensions and to minimize differences between pensions granted in various periods. The cost of this policy amounted to 1 billion korunas in 1990 and to Kcs3.9 billion in 1991.

Law No. 46/1991 of 29 January 1991 on increase of pensions adjusted pensions to cost of living increases and to the growth of wages. At the same time, this law increased all pensions as of March 1991. Small pensions that are the only source of a pensioner's income were raised significantly (20 percent) to Kcs1,440 per month

for an individual and to Kcs2,400 per month for a couple; furthermore, a monthly compensation allowance of Kcs140 is added to those amounts and to all other pensions. The March amendment will require Kcs7.3 billion in 1991.

Despite the increase of pensions in March, their real value has declined. For that reason, it is necessary to proceed with yet another increase of pensions and to focus on a solution of the situation of our neediest pensioners. The government will soon discuss a proposal for such an increase, and then submit its draft to the Federal Assembly of the CSFR. It is proposed that pensions be raised by fixed amounts set so that the increase of old-age benefits equals 80 percent of the highest amount to which small pensions that are the only source of a pensioner's income can be raised. According to the proposal, the top line for small pensions should be adjusted so as to align it with the stipulated minimum wage. Because even with a higher minimum wage pensions cannot keep in step with increases of costs of living, the lowest pensions also must be approached in a similar fashion. The income of pensioners with the lowest pensions should be above the minimum living standard stipulated by law but at the same time, 5 to 15 percent below the income of employees earning minimum wages. At present the income of a pensioner with the lowest pension amounts to 91 percent of the earnings of workers who receive minimum wages. Limited financial opportunities and consequent necessity of preferential increases of the lowest pensions may lead to their further equalization. However, such a trend may serve only a stopgap measure.

In conjunction with the situation in the labor market, the government will in the nearest future discuss payment of pensions in addition to earnings. To stipulate the conditions and methods of special payments of pensions in addition to earnings for male pensioners up to 65 years old and for female pensioner up to 60 years old, it was proposed that the governments of both republics be authorized to act in accordance with specific needs of the labor market. Furthermore, changes in the system of preferred categories of employment are now being drafted for the purpose of pension insurance because the current system transfers higher cost to all working people. By the same token, advantages gained thus far will remain unchanged; during the period of transition financial assets of enterprises may cover the cost increases for employees who had worked already for some time in preferred categories of employment.

In late March of this year the government approved a draft of a new concept for social insurance and in this quarter it will discuss the principles of the law on its financing. The changes in the system of financing are closely linked with the change in the tax system due around 1 January 1993 and therefore, the change in the financing system should be fully applied as of that date. It is appropriate to introduce this system at that particular time also from the demographic point of view

because we are facing a period when the share of pensioners in the number of the working people is declining. After the year 2000 their share will escalate and for that reason, it would then be difficult to introduce and implement new changes because at that time such payments would be a great burden for the working people.

Several changes have taken place in health insurance in 1990 in terms of both its material coverage and organization. The organizational structure of social security organizations was integrated on 1 September 1990. In the benefits sector, the period of claims for assistance while caring for a sick family member was extended from 5 to 7 workdays, and for persons living alone to 13 workdays.

Additional changes in health insurance were approved in March 1991. Maximum amounts from which daily benefits for hospitalizations, cash maternity benefits, and aid to persons attending a sick family member were increased from Kcs180 for employees and members of JZD's [unified agricultural cooperatives] (with a five-day work week) and to Kcs129 per calendar day for self-employed individuals and members of the armed forces.

An analysis of the development of disability in 1990 indicates that the disability rate has markedly increased especially in krajs with higher unemployment rates (Central Slovakia, Eastern Slovakia, Northern Moravia, Northern Bohemia, and Southern Moravia). The development of morbidity and problems with the maintenance control of the daily schedule of the disabled prompted the idea of transferring the costs of the benefits in illness for the first two to four weeks of illness to the employer and of cutting his tax assessment correspondingly. Before moving for a legal change, the government will study this sensitive issue in depth.

The Kcs10.1 billion earmarked for valorization of social taxes in 1991 was divided among the budgets of both republics. The increase of pensions as of March 1991 will cost Kcs7.3 billion and the proposed increase applicable from July 1991 will encumber the budgets with Kcs2.5 billion. Together with approved adjustments of health insurance and maternity and widows' or widowers' benefits (Kcs0.3 billion), these measures will exhaust the entire planned funds for valorization of social taxes. Some cuts in expenditures amounting to Kcs0.8 billion may be anticipated, provided that emergency payments to pensioners are restricted. Further adjustments may be introduced only after funds from other sources have been released, or after adjustments of state budgets of the republics which fund the social area.

The living standard of families depends basically on the status of the parents' employment, on the level of their income, and on their actual opportunities to increase it by their own endeavors. The family is the point of intersection of the most diverse social situations that are closely linked to radical changes in our society and particularly in our economy. Families whose basic living needs are not assured become socially deprived and



receive assistance mainly within the framework of our social care system. Families with several (4 or more) children and incomplete families often fall below that line as do some families with two children but only those where for some reason one of the parents has no income or whose earnings were markedly cut (for instance, if one of the parents is unemployed; if both parents are earning only minimum wages, etc.)

On 1 October 1990 parental benefits were introduced as a state contribution that recognizes equal rights of both the mother and the father. Along with the adjustment of health insurance, in March 1991 the bonus at the birth of a child rose from Kcs2,000 to 3,000.

The law on subsistence minimum, now being drafted, will provide the point of departure for the stipulation of the threshold of social needs. Such a line will be set by legal regulations of both republics which will proceed in its stipulation above all from their budgetary capacities and from the development of the cost of living in the republics, or as the case may be, in individual regions.

The living standard of families is seriously affected because food items whose prices have been substantially raised have a greater share in the cost of living of families with children than in other households, and because indirect subsidies to families, such as low-cost school meals, inexpensive services of pre-school facilities, etc., have been cut back. By the same token, incomes of most families with children fall below the rate of average nation-wide incomes, with part of them relatively close to the threshold of subsistence minimum. Economic conditions of enterprises and particularly unemployment will further limit realistic opportunities for people to increase their earnings by their own endeavors in order to provide for their children's needs.

Therefore, the government will review the whole strategy of state aid to families with children. The main financial mechanism is the system of bonuses for children and concurrently, the state compensation allowance, plus the introduction of subsistence minimum. In principle, there are three possible ways to increase state aid to families with children and to guarantee an adequate living standard for them, if they cannot achieve it by higher earnings.

The first way is an across-the-board supplement to transfer payments to all families with children. In December of 1990 the state covered on the average 39.5 percent of rational costs for children in the form of children's bonuses and state compensation allowances. In March 1991 the cost of living was up 36.6 percent as compared with December 1990; that was reflected in rational costs for children's food and care which rose on the average Kcs426 per child. That reduced the state's share in payments for total rational costs from 39.5 percent to 29 percent. It is presumed that the rising costs of living for children will be balanced by higher state compensation allowances in a way that will not impede the transition to a new system of children's benefits in

conjunction with the tax reform. This may be done in two ways: either by raising the state compensation allowance by an equal amount for every minor child, or by gradating it according to children's ages. It will cost Kcs5.3 billion annually to raise the state compensation allowance by an average Kcs100 per month.

The second way is a greater supplement to social benefits only for families that may be considered indigent, for instance, families with an unemployed parent, families of nonworking pensioners, families subsisting on minimum wage, families with a single income where the mother receives parental allowance, single-parent families, etc. This solution is a symbiosis of the across-the-board solution with a selective approach characteristic for social services. Such a solution may include about one million children and cost approximately one-half of the across-the-board solution. This is a new approach whose technical and legal parameters need to be put to test.

The third way is guarantee of subsistence minimum for the neediest citizens through the social service system. This is a solution because it makes it possible to assess each case individually. However, that poses a problem in view of the administrative workload when hundreds of thousands individuals apply for such aid. A crucial point in dealing with social impacts concerns inadequate training of personnel and insufficient technical equipment of appropriate social agencies under the jurisdiction of the republics. With a considerable increase of applicants for public assistance, financial aid could be granted indiscriminately without thorough checking of social conditions or conversely, needy citizens might not get prompt financial assistance at all. This solution will require roughly one-half of the funds of the across-the-board solution, but its costs will depend basically on the further development of prices, unemployment, etc. To implement this solution, it will be desirable to open new job opportunities for social workers. Certain groups of graduate students or unemployed citizens may be trained and hired for such jobs. Their retraining and wages will cost about Kcs1 billion a year.

Data on benefits drawn from social services are not yet available, but district offices have requested budget increases in view of the rapidly rising number of recipients; that signals that the allocations for social expenditures in the budgets of the republics are insufficient and fail to reflect price increases since 1 January 1991. Moreover, this will harshly affect institutions of social services which will lack the means to cover higher prices of food and heating.

Because none of the above ways in itself guarantees the best possible solution in terms of a direct approach, the government will study options for their combined and well-balanced application; however, it must proceed from financial assets our economy may release for the solution of social problems.



When social aid is given, public solidarity, cooperation within public organizations and associations, charitable organizations and so on also play a significant role. Other than state initiatives should organize nontraditional services and aid, and thus, help tackle the newly emerging social problems. A framework of legal provisions for such activities has been set up, but it is necessary to determine the share of the state in the costs of services rendered.

### Summary and Conclusions

Although data on the development of employment, wages and prices of the cost of living for the entire first quarter are not yet known, it may be said that so far the impact of the heretofore process of implementation of the economic reform on our citizens' social situation has not deviated conspicuously from initial estimates. The rising rate unemployment and increasing costs of living, however, call for constant attention to the development and for a sensitive and prompt reaction to the emerging problems. The forms of adjustment of earnings and transfer payments to the development of costs of living must be controlled in such a way that all their recipients share proportionally in the temporary decline of the purchasing power of the population, and at the same time, that this decline be sustainable in economic and social terms.

In dealing with the above-stated problems and in formulating necessary policies, the governments will proceed from the following conclusions:

In the area of employment to improve the system of mechanisms of effective state policies in the labor market; to propose a method to finance material aid to job seekers and effective employment policies. To accelerate the drafting and specifications of economic and structural policies on the level of enterprises and regions. To consistently implement the program of assistance to and development of small businesses and for that purpose, to take full advantage of foreign aid.

To devise and implement a program for employment of young people, especially graduates, and in that, to make use of projects of international aid and of short-term professional assignments abroad. Comprehensive groundwork for a reform of our educational and training systems is imperative.

In conjunction with the policies in social and wage areas, to specify conditions for cutbacks of employment of certain groups of our population, including conditions for part-time employment.

In the area of wages to determine the targeted growth of wages and adjust it to the development of the cost of living, proceeding from the General Agreement so that the level to which real purchasing power of wages will decline—assuming that financial resources required for the fulfillment of the targeted growth in organizations will drop 10 to 12 percent in comparison with December

1990—be in line with the projected economic development and minimize the risk of inflation. By the same token, targeted growth of wages does not entitle employees to higher wages; wages may be adjusted only in accordance with disposable resources for rewards in individual organizations. In order to sustain the incentive purpose of tariff wages and supra-tariff factors, supplements to wages may be granted—if disposable resources for rewards in organizations permit—to compensate for part of increased costs of living.

In view of the high cost of wages for enterprises and especially in the budget-supported and self-supporting spheres, and due to certain other potential risks stemming from adjustments of minimum wage to the development of the cost of living according to the General Agreement, the government will discuss with social partners (employers—trade unions) a draft for the change of the pertinent decree in order to mitigate the impact of the adjustment, or as the case may be, to transfer responsibility for the level of adjustments to collective bargaining in organizations.

In the social area it is necessary to stress the solution of the neediest social cases during the period of accelerated economic processes. Therefore, in accordance with economic resources, the government will observe the principles of a social safety net as mechanisms for maintaining the necessary living standard of the poorest strata of our population.

In conjunction with the law on subsistence minimum, which is now in the drafting stage, new thresholds for social entitlement will be set for individual regions according to specific economic and living conditions of those areas.

As real value of employees' earnings declines, real value of social contributions will also slip. The decline will be slower for socially needy citizens than for the middle-income population. On the other hand, the level of above-average benefits (higher pensions, etc) should correspond with the decline of real value of wages.

In view of the relatively difficult situation of families with children, the government will study options for partly supplementing transfer payments with staggered increases of state compensation payments and a more effective supplement to transfer payments particularly to indigent families.

In connection with the rising unemployment rate and the need to obtain financial resources for valorization of benefits, it was proposed that employment of working pensioners be adjusted. Preferences in pension benefits—job categories—will be treated more fairly. The steps mentioned here represent some of the concepts of social insurance and its financing, and the concept of benefits paid to families by the state. The government

approved the principles of concepts for national insurance, and the principles of the financing system were discussed by the Council of Economic and Social Agreement. The concept of benefits paid by the state to families with children is scheduled for discussion by the end of this year.

#### Footnotes

1. Data on the actual development in the first quarter of 1990 will be available after 15 May of this year because supplementary payments to wages for the first quarters will be issued during the month of April.
2. Targeted growth of average wage in the second quarter is derived from the index of the cost of living for an average family of employed workers in the month of March, which amounts to 136.6 percent; the coefficient of reduction derived from the agreed-upon rate of decline of real wages (10 percent) amounts to 0.9.

#### Appendix

##### Development of Consumer Prices and Cash Incomes in 1990 and in the First Quarter of 1991

The summary index of retail prices of goods and services in 1990 increased 10 percent over 1989. In December 1990 this index was 18.4 percent higher than in the same period of 1989.<sup>1</sup> Expressed for the whole year, the effect on the level of consumer prices of goods and services represents about Kcs82 billion, of which the highest amount reflects the abolition of negative sales tax in food (Kcs27 billion) and higher prices of petroleum products (Kcs17 billion).

The cost of living increased by a total of 18.9 percent.<sup>2</sup> Households with low incomes and families with children were affected by the above-average impact of the price development as follows.

##### Indices of the Cost of Living

(December 1990/December 1989)

Workers and employees (low income)	120
Cooperative farmers (low income)	119
Households with 2 children	119
Households with 3 children	120
Retired persons	119

The population received compensation for higher food prices in the form of an across-the-board state compensation benefit of Kcs140 per person per month. Households reduced their purchases of food and used their state compensation benefits for only part of their purchases. This is confirmed by the data of the Czech Bureau of Statistics, although they may be distorted because the population had stored some supplies in advance.

##### Average Per Capita Monthly Outlays for Food (CR in Kcs)

	Workers and Employees	Cooperative farmers	Pensioners
A	519	452	637
B	562	506	730
Difference B minus A	43	54	93

A: First to sixth month; B: Seventh to tenth month

Total cash incomes of the population in 1990 amounted to Kcs525 billion, of which Kcs298 billion (57 percent) represented incomes from wages, Kcs31 billion incomes from JZD's (6 percent), Kcs101 billion transfer payments (19 percent), and Kcs95 billion other incomes, including state compensation benefits (18 percent).

On the average, cash incomes of the population in 1990 were 8.7 percent higher than in 1989 (December 1990/89 equals 13.4 percent), due in particular to the introduction of state compensation benefits. Due to the price development in 1990 actual cash incomes were 1.2 percent lower than in 1989.

Incomes from wages were 3.4 percent higher in 1990 than in 1989 (December 1990/1989 = 6.7 percent). The average wage of employees in our national economy (except for the JZD) amounted in 1990 to Kcs3,340 (i.e., 3.6 percent more than in 1989); increases, including state compensation benefits, amounted to 7.9 percent. Actual wages were down on the average 5.6 percent (3.1 percent in projection of the effect of state compensation benefits).

Transfer payments were up 5.9 percent (December 1990/1989 = 15.7 percent), which reflected increases of minimum pension benefits and of parental benefits. Since October 1990 costs of higher pensions and parental benefits (in 1990) amounted to Kcs1.5 billion, the volume of financial assets for unemployment benefits to Kcs266.9 million, and payments of state compensation benefits [SVP] to Kcs12.4 billion.

##### Indices of Real Value of Purchasing Power of Incomes (December 1990/December 1989)

Total cash incomes	95
Average wage of employees in national economy	94
Newly granted old-age pensions plus SVP	92
Paid old-age pension plus SVP	99
Minimum pension plus SVP	113
Poverty line of two-parent family with 2 children 11-14 years old plus SVP	97

In the first quarter of 1991 consumer prices and cost of living skyrocketed. While food prices rose most rapidly in January, prices of industrial goods increased at the fastest rate in February and March.

**Consumer Price Index in March 1991**

	December 1990 = 100	February 1991 = 100
Total	141	105
Food products	130	98
Industrial goods	156	111
Public dining	145	99
Services	114	102

Effect of the price development on the costs of living of retired persons and families with children is presented in the table below.

**Indices of Living Costs in March 1991**

	March 1990 = 100	December 1990 = 100
Pensioners—total	155	133
Pensioners—low income range	160	135
Households of workers and employees with 2 children	159	136

A considerable impact on costs of living will ensue from higher prices of fuels and heating. It will amount to about Kcs111 per capita per month, i.e., Kcs308 per household (average household in the CSFR has 2.78 members). However, this impact will be essentially more graduated than that of food due to the heating medium and home heating systems. Higher prices of heating will raise the cost of living for an average household by 7 percent and for pensioners' households by 11 percent. The table below shows different impacts on individual types of households.

	Average household	Household with children	Household of pensioners
Total impact in korunas per month			
a) per household	308	339	223
b) per person	111	86	154
Share of compensation <sup>x</sup> in total impact in percent	37 percent	47 percent	50 percent

**Footnotes**

1. Summary index of retail prices characterizes the price development on nationwide average (weights are items of retail sales).

2. Cost of living index characterizes changes of prices reflected in expenditures of households (weights are expense items in statistics of family bills).

\*A proposal calls for a monthly raise in state compensation benefits paid to children and pensioners in the amount of Kcs80 per month.

**Outline of 'Economic Disarmament' Discussed**

91CH0637E Prague HOSPODARSKE NOVINY (weekly) in Czech 16 May 91 p 4

[Article by Eng. Josef Fucik, Federal Ministry of Economics: "Conversion: The Outlines of 'Economic Disarmament'"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The question of the transformation of our armaments industry, consisting particularly of the necessary liquidation of the hypertrophic production of heavy armored vehicles is on the agenda of the day with all urgency. Unfortunately, much energy is being consumed in useless polemics, dialogues, the organization of long-term research and the preparation of theoretical elaborations on this topic. Thus far, the dynamics of the conversion wave has not been overly asserted in the enterprises to assist them in working out specific projects involving new production with good sales prospects.

In looking for the specifics of conversion pertaining to armaments production, as opposed to other no less extensive projects involving structural changes, one aspect is frequently overlooked. The Czechoslovak arsenals lived in strict secrecy, which insulated them in an airtight manner from developed world producers.

The consequences of this tough cloistering are extraordinary. There is a lack of knowledge and experience from the world market, and modern management and marketing are in their embryonic stage. Collaboration with potential capital partners is predominantly in the phase of initiating contacts and exchanging information which, for the most part, moreover flows in one direction—from us to foreign countries.

It is, therefore, no wonder that the hitherto presented conversion projects are sometimes more in the form of technical and technological notions, which are sometimes downright unrealistic. There is a lack of credible economic analyses and clear notions regarding the assertion of new production which would guarantee that unsalable products of military equipment will not be replaced by similarly unsalable goods. The weak areas of projects are then supplanted by a single firm point—the demand for subsidizing financial resources from the state budget of the federation.

**The Beginning and the End Is in the Enterprise**

In the most heavily impacted region of Central Slovakia, a shower of criticism is hurled at the head of the federal government. What actually preceded this state of affairs?

Disquieting indications of the sales crisis involving heavy armored vehicles have been showing up since 1986 when the reality of "economic disarmament" began knocking on the doors of the countries of the former Warsaw Pact, to be shortly followed by the insolvency of customers in Third World countries. As early as 1988, the directorate general of the ZTS [Heavy Machinery Plants] Combine at Martin was working on the Principles of Structural Change in the State Enterprise of the ZTS Combine at Martin which, upon their conclusion, became the basis for discussion by the then federal government.

In practice, these principles were a sort of first conversion project. They reached the conclusion that the program for developing the combine in the future was based on the dynamization of civilian production sectors. As a matter of fact, the presidium of the former Adamec government gave its approval for the halting of tank production on the basis of these principles in 1989.

The new post-November federal government confirmed this approval of halting the production of tanks in the CSFR and, on the basis of the deteriorating situation, also approved the halting of production of infantry combat vehicles. It did not, in other words, issue any prohibition nor did it make any "imprudent decisions." Production which then continued within the framework of entrepreneurial activities is declining as a result of the actions of objective conditions, rather than as the result of an administrative incursion.

By missing the decisive time frame, by deferring and dismantling residual sales to the Czechoslovak Armed Forces as a result of the drastic curtailment of the military budget, producers are finding themselves in a crisis situation. There is no other choice than to strive for support from the state budget. Last year, the conversion subsidies, which amounted to 1.2 billion Czech korunas [Kcs], which were distributed in an atmosphere of an expiring state plan still directly to the enterprises involved, dissolved without having any more express effect.

This year, this distribution approach does not stand a chance. The reserves from the state budget of the federation which the Government of the CSFR intends to expend on conversion may be used exclusively on the basis of an evaluation of processed projects for individual specific activities. Support for these individual activities should be decided upon by the minister of finance for the CSFR, or possibly by the federal government, on the basis of expert opinions and on the basis of a competitive process. Commercial methods should become the exclusive starting point for granting state participation in conversion projects. The function of the placement of this state aid should be taken over by one of the commercial (or specialized) banks. The substantive solution of specific problems pertaining to the conversion of armaments production is solely up to the entrepreneurial activities of the producers themselves.

Thus, we return again to the enterprises where conversion begins and ends. In handling this difficult task of working out conversion projects under the complicated, unstable, and frequently unclear conditions that govern the future development of the Czechoslovak economy, the majority of these establishments will have difficulty getting by without assistance from foreign consultants and foreign capital. If there is hesitation on the part of foreign capital for well-known reasons generally, then the careful approach here manifests itself even more expressly. Foreign interestees are waiting for guarantees. That is why 1991 or possibly even 1992 looms as the most complicated for converting enterprises. They will be striving for virtual survival.

The notions that, within the framework of conversion, all surplus armaments capacities will be successfully converted to civilian production and that it will thus be possible to retain the same number of jobs, are not very responsible. In actual fact, certain declines must develop as a result of conversion. Their magnitude will depend on the type of production capacities being converted and on the replacement production which is selected.

Consequently, it does not appear to be prudent to create an atmosphere of feverish liquidation pertaining to all armaments capacities. It is purposeful to retain only those which the state needs for its defense capability. There are also others which have the hope of prevailing in a commercial environment and which can enter upon international cooperation.

#### With What Can We Assert Ourselves Well

The notion that the Czechoslovak armaments industry produces only obsolete equipment is deeply misleading. This applies only to a part of the production based on Soviet clearance sale licenses, where the product was already morally obsolete at the moment its production began with our manufacturer. We have an excellent aviation industry and, until recently, Czechoslovakia was the largest producer of training jet aircraft in the world. The current Model L-39 and its modernized version, the L-39-MS, is an aircraft which has great chances of prevailing in a number of Western markets. Production of pilot training simulators is also advanced in the Czechoslovak aviation industry.

The production program for the Model DV-2 aircraft engine at the Povah Engineering Works is becoming an important component of aircraft production in this country. The engine is a high-quality product, capable of competing in comparable categories. Its predominant use in the Model L-39-MS aircraft constitutes cooperation between two manufacturers, established from the very beginning on a commercial basis and on market principles.

The production of airfield radars and systems for passive radar reconnaissance at the Tesla Plant at Pardubice can be considered as having promise and of being capable of competing. The production by this experienced manufacturer, whose radar systems have proven themselves in

the long term under operationally as well as climatically particularly demanding conditions on tens of airfields in the Soviet Union, is gaining recognition today from a number of other foreign interestees. A potential partnership with one of the important West European firms could result not only in the essential infusion of capital, but will contribute to technological perfection and completion.

There also exist some smaller, but no less important and economically profitable sectors. For example, it is possible to mention the production of protective devices against nuclear, chemical, and biological weapons, such as protective masks, capes, and clothing. They were part of the equipment of our chemical defense unit in Saudi Arabia and there is no doubt as to their good quality. It is a paradox that while the equipment used by our chemical unit in Saudi Arabia is sold out and while interest in these products persists, the Rubber Plant at Zubri, the Likier Plant at Hnusta, and other manufacturers are confronting the threat of having their production

capacities closed down. This is a typical example of the lack of interest on the part of existing foreign trade monopolists.

We are encountering noteworthy results even at research work sites. Let us recall here, for example, components for night-vision devices from the State Glass Industry Research Institute at Hradec Kralove. The introduction of production pertaining to these instruments, something for which good prerequisites exist in collaboration with the Krizik State Enterprise in Prague, would not only fill a critical gap in the equipment of our Army. Advanced night-vision devices are, today, an essential part of the equipment in a number of civilian activities as well.

In solving the conversion problem, the current complicated situation besetting research and development work sites should not be overlooked. Even here, all projects should be carefully evaluated before simply deciding to close them down. It is possible to find a considerable potential here for future successful production programs, including key designer teams which are held together primarily by professional commitment.

**Armaments Production in the CSFR (value of production in millions of korunas, current prices)**

Item	1987		1988		1989		1990	
	Volume	%	Volume	%	Volume	%	Volume	%
Total armaments production in CSFR	29,298	100.0	26,737	100.0	18,996	100.0	15,107	100.0
Czech Republic	11,557	39.5	12,331	46.1	10,587	55.7	7,515	49.7
Slovak Republic	17,741	60.5	14,406	53.9	8,409	44.3	7,592	50.3
Total development of armaments production in CSFR	—	100.0	—	91.3	—	64.8	—	51.6
Share of armaments production in engineering production in CSFR	—	11.3	—	10.0	—	6.9	—	5.7
Sales								
Domestic	6,558	22.4	7,699	28.8	6,802	35.8	7,200	47.7
For export, total	22,740	77.6	19,038	71.2	12,195	64.2	7,907	52.3
Including								
Former socialist countries	17,055	58.2	15,134	56.6	11,179	58.8	6,305	41.7
Other countries	5,685	19.4	3,904	14.6	1,016	5.3	1,602	10.6

### Further Minimum Wage Increases Opposed by Klaus

91CH0623B ZEMEDEL'SKE NOVINY in Czech  
2 May 91 p 1

[Article by J. Smid: "Minimum Wage Unchanged; Controversies About Determination of Subsistence Minimum"]

[Text] Subsistence minimum is the total amount of goods and services a common household of a certain size and structure requires in order to meet the needs considered at this time necessary for a normal, albeit modest living standard.

We borrowed this definition from a draft of the law on subsistence minimum which is scheduled to be introduced on 1 July of this year. Last Tuesday it was discussed by all three tripartite councils—in other words, by the representatives of the government, of employers, and of trade unions—but they failed to reach an agreement. All they could decide was that the work of the group of experts at the federal tripartite council should continue. The experts will continue to seek criteria according to which to determine subsistence minimum and to identify persons in need of social subsidies to their income so that they may maintain a minimum living standard. Vaclav Klaus's address cast doubts on calculations of specifically proposed payments—for example, 600 korunas [Kcs] for a child under six years of age,

Kcs1,200 for an adult, Kcs500 for the household of a single person, and so on—about which we have written earlier. The tripartite councils will return to this problem.

Deliberations of the councils on minimum wage were more specific. They concluded that minimum wage would not be valorized and that the tripartite councils would again address themselves to this issue. Of course, that confirmed the fact that article 10 paragraph 5 of the General Agreement is not being implemented because if it were and if minimum wage were valorized every month according to costs of living, it would amount up to Kcs2,700 per month, and 1.5 million workers would be entitled to it instead of the current 400,000. However, arguments against such a method of valorization of minimum wage sounded logical; it could result in less efficient performance at work and undermine discipline, and the state would have to pay subsidies to many enterprises to enable them to pay their people such minimum wages. Furthermore, a discussion dealt with another increase of benefits as of 1 July of this year in the amount of Kcs110 for old-age pensions. In the discussion we were informed that the Federal Ministry of Labor and Social Affairs had proposed a targeted growth of wages for the second quarter of this year. Because in March the index of costs of living of workers' and employees' households in the CSFR was 136.6 percent as compared with December 1990, the targeted growth of wages for the entrepreneurial and budget-supported sphere would be, according to calculations, 22 percent.

#### **'Controlled Privatization' Discussed**

91CH0637D Prague HOSPODARSKE NOVINY  
in Czech 13 May 91 pp 1-2

[Article by Alena Adamkova: "Uncontrolled or Controlled Privatization and Restitution—How To Prevent Negative Consequences of Privatization and Restitution in Prague"]

[Text] Will small privatization lead to the deterioration of certain portions of the city of Prague from the standpoint of tourism? How is it guaranteed that, for example, the "interhotels" will not become questionable enterprises? Is it possible to assure that, in some portions of the city, some services would not completely disappear? Does a concept regarding the development of the inner city of the capital exist?

We attempted to obtain answers to these questions, some of which had been recently raised in the journal REFLEX by the well-known American-Czechoslovak hotelier, Ivan Chadima, at City Hall and at the Ministry of Commerce and Tourism of the Czech Republic. Our questions were answered by Eng. J. Mrazek and Eng. P. Franek from the commercial-entrepreneurial department of the ministry.

At the Prague City Hall, we found out that there is no concept for developing the city from the standpoint of tourism; only the privatization project for enterprises

which have hitherto belonged to the city has been worked out. This project is attempting to prevent uncontrolled small privatization in such a way that this privatization would have a minimum impact upon the functioning of the city. That is why municipal enterprises were divided into four groups, in accordance with their sensitivity in the privatization project.

The first group includes those which can be transferred to small privatization without any problem. For example, they are the bookstores, the barber shops, the Clothing Service, architectonic studios, the Taxi Service, or the Leather-Working Enterprise; the effort will be to privatize them gradually so that, until such times as the commercial network becomes stabilized (approximately two years) each city quarter would retain at least one operating outlet for each type of service.

The second group is made up of enterprises which are essential to the functioning of the city and that is why the municipal authorities wish to retain possession of them. They include, for example, the Transportation Enterprise, the Prague Municipal Waterworks, the Prague Sewer and Water Facility, etc. The third group will include enterprises which should be made part of large-scale privatization because they are prospering well and because it is not expedient to change their production program, nor their organizational structure. These include, for example, the BAVAX Company which repairs and adjusts scales and various other precision instruments as the sole enterprise to engage in this activity in the Czech Republic. It also has good contacts with foreign partners (Sartorius and others). It has been agreed with the Ministry for the Administration of National Property and Its Privatization that the BAVAX concern could serve as the first sample enterprise for large-scale privatization.

Finally, the fourth group is made up of enterprises, the privatization of which must be handled with maximum sensitivity. They include, for example, the Liberated Household Enterprise, where it is anticipated that 70 percent of the activities will fall into small privatization, but the remainder will be subjected to large-scale privatization so that, say, laundries which serve hospitals will not go out of business. A similar procedure will also be used in the case of the Prague Resort Enterprise, some of whose operating units also provide essential services to citizens. (Swimming pools will be subjected to long-term rentals.) Not even the Raw Materials Collection Enterprise should be subjected to small-scale privatization, with the exception of some few collection establishments. The rest should remain in city hands and the city is seeking a foreign partner to help introduce segregated collection; the majority of collection facilities should be rented out. The privatization of the Prague Restaurant Enterprise will also be complicated. It has been agreed that the enterprise will be disestablished while some facilities will remain in city hands (Slavonic House, Municipal House, Ungelt, Solidarity, Hotel Golf), the rest will be sold.

How is it with privatization in the very center of the city? The majority of business establishments here are subject to restitution, including three hotels (Alcron, Ambassador, Flora), so that their future fate is no longer dependent on city hall or on district offices. According to Engineer Mrazek, the negative impact of small-scale privatization or restitution will not be felt in its beginning stages in the city center, but, more likely, in suburban quarters where the commercial network could even collapse for a period of time.

The privatization of the hotels of Prague falls within the jurisdiction of the Ministry of Commerce and Tourism of the Czech Republic. After agreement with the Czech Ministry for the Administration of National Property and Its Privatization a limit was established with respect to small and large privatization of hotels by placing hotels with less than 70 beds into small privatization, with the proviso that auction prices would be set low so as to give even domestic interestees a chance; larger hotels and the "interhotels" will go to large-scale privatization, in view of the fact that, for the most part, they are in need of reconstruction and that this reconstruction can only be paid for by a foreign partner. Many foreign firms are interested in the hotels of Prague and, therefore, it was agreed that they will be selected by well-known Western consulting firms. The mechanism is such that, by the end of the year, every hotel will work out a privatization project which will already figure on a foreign partner; thereafter, an international competition for reconstruction and operation of the hotel will be proclaimed and, following consultations, the three most suitable partners from among the interestees will be selected, one of whom will emerge as the "victor" (he will also pay the costs for utilizing the services of the consulting firm).

#### **Privatization Worth Should Be Based on Returns**

91CH0637A Prague HOSPODARSKE NOVINY  
in Czech 23 May 91 p 11

[Article by Dr. Rudolf Pernicky: "The Appraising of Enterprises: What You Should Know Before..."]

[Text] Concurrently with large-scale privatization, considerable attention is being devoted in the CSFR to questions of appraising enterprises. Both domestic and foreign consulting firms are using competition in this connection.

So as to avoid disappointment in utilizing the services of firms in this area, it is necessary to devote attention to the following:

1. Only a "strategic appraisal of an enterprise" makes sense.

The value of an enterprise is given, primarily, by its future prospects for creating profit. Thus, the basis for appraising an enterprise must be a fundamental judgment regarding its current chances and risks. It is only on this basis that it is possible to estimate the development

of future enterprise profits. Capitalized profit, or possibly cash flow over a certain period of time then determines the value and price of the enterprise. Appraisals based on material equipment and the position of the enterprise (land, buildings, machinery) are important, but, nevertheless, are less relevant. The basic criterion for all foreign entrepreneurs is profit. Profit estimates must be based on clear market and production strategies of Czechoslovak enterprises. In view of the changing economic conditions in the CSFR, any estimates based on an analysis of the profit and financial situation over recent years are meaningless. What counts more in Czechoslovakia today than in Western countries is current costs, not yesterday's or tomorrow's profits.

2. "Enterprise value" is composed of three parts.

Any solid appraisal of an enterprise must contain three substantive components:

a. Basic value

We consider this to be the potential of the enterprise, complete with its production program and structures which determine the capability to create future profits. This value can be calculated on the basis of profit projections.

b. Value of the enterprise following reconstruction

In the majority of enterprises, reconstruction and investments can lead to increased profit potential. This is something which must be taken into account. Nevertheless, it is true that the more investment is necessary to safeguard the competitiveness of the enterprise, the lower is its immediate value.

c. The value of synergies

By combining two or more enterprises in the area of research, development, and production, additional profit results as a rule. Naturally, even this possibility exerts an influence upon the valuation of the enterprise.

A realistic appraisal of the enterprise must take all of the above components into account. The price which is acceptable to the buyer will always be between the basic value and the value calculated on the basis of all three components.

3. The value of an enterprise differs with respect to various potential buyers or partners.

From the above considerations it is clear that there is no generally applicable price for an enterprise. The readiness of individual buyers or shareholders to invest in the reconstruction of an enterprise or to realize synergistic amalgamations varies. This not only depends on the financial strength of the partners, but also on their production programs or on the priorities or weaknesses in the area of research, development, and production.

4. Greater benefits may be anticipated in having enterprises appraised by consulting firms specializing in strategic development.

The appraising of enterprises places specific demands upon the know-how of the appraising firm. It must be capable of judging current and future sales possibilities and the ability to compete in domestic as well as foreign markets. For the present, only Western companies have been able to mature to this level and, therefore, potential Western partners tend to accept their recommendations. A firm which is appraising an enterprise must also have experience in forming enterprise strategy. This represents the strength of consulting companies which specialize in strategic development. The possibilities at the disposal of companies which concentrate more on analyzing management are limited in this regard.

#### **Finance Council Recommends Further Liberalization**

91CH0637C Prague HOSPODARSKE NOVINY  
in Czech 21 May 91 p 1

[Article by "do": "On Further Liberalization—From the Session of the Finance Council of the CSFR"]

[Text] Effective 1 June, the import surcharge is reduced from 18 to 15 percent. This was decided yesterday by the Finance Council of the state which simultaneously recommended to the government that it deal with rescinding wage regulation for private entrepreneurs and companies with foreign property participation. It is anticipated that this wage deregulation could become effective as of the second half of this year.

Within the framework of the overall progress of liberalization in the Czechoslovak economy, the Finance Council also recommended the partial deregulation of prices which are subject to varying regulations today. If some 15 percent of prices are regulated for the time being, regulation would pertain only to about 10 percent after the new liberalization move. However, should the price relaxation again manifest itself in price fluctuations, it is possible to resume regulation. Price deregulation is anticipated, for example, with respect to pork, milk, and eggs.

All of these prepared or approved steps illustrate that the reform is having greater success than was anticipated in the financial monetary area. For example, for the first quarter, the balance of payments showed a deficit of \$300 million, even though triple this amount had been anticipated.

The focal point of negotiations involving the Finance Council, however, had nothing to do with these important and yet strategic matters, but rather dealt with further processing the concept of the fund of national property. Even though the concept will continue to be worked on, it is already clear now that the republic funds as well as the federal fund (the latter is substantially weaker) will have an expressly transformational character and that entrepreneurial activity will be only marginal. In no event will the property held by the fund be part of the state budget, but it will be deposited in a special account (similar to the procedure used in small-scale privatization) which will be used for restitutional compensation, to establish joint stock companies, to make payments to the social security fund, and to cover the expenses of large-scale privatization. Only very rarely will it be possible to make use of it to relieve the debt burden of enterprises, but the assumption by many Czechoslovak enterprises that they will thus be able to relieve their debt burdens is completely erroneous, as was stressed by Minister T. Jezek. The national property funds will generally be used to realize privatization, including the obligations and debts of privatized enterprises.

At the press conference following the session of the Finance Council, the deputy director general of the Commerce Bank, J. Strasky, announced that, effective 29 May, this bank was reducing the surcharge on the discount rate to 11.5 percent (it is permitted to charge 12 percent). The maximum interest on a loan from the Commerce Bank will thus be 21.5 percent. Whether other banks will decide on a similar step was not stated.

#### **'High' Bank Interest Rates Examined**

91CH0644A Prague HOSPODARSKE NOVINY  
in Czech 15 May 91 p 9

[Article by Eng. Jaroslav Kucera, Czechoslovak State Bank: "The Response of Banking Statistics to the Question 'Are Interest Rates Excessively High?'" ]

[Text] In discussions regarding the current economic situation, the high interest rates on bank loans are frequently noted. The highest interest rate is 24 percent which, given the current increase in prices of more than 30 percent, is actually a prerequisite for the availability of very cheap loans. Moreover, banks and savings and loan institutions are even making loans like they did in previous years, the interest rates for which have not changed. However, interest rates on deposits by the population have risen quite substantially this year. What then are the actual facts, what interest rates on deposits as well as on loans are actually being asserted today?



In the Statistics Department of the Czechoslovak State Bank, we are finding and monitoring the interest rates which individual banks are asserting vis-a-vis their clients. These rates can then yield information, with the aid of weighted arithmetic averages, which is contained in the table below.

Minimum and Maximum Interest Rates			
	January 91	February 91	March 91
Minimum Interest Rates for Loans			
Loans			
Short-term	16.86	16.88	16.90
Medium-term	18.92	19.02	19.01
Long-term	18.64	17.35	17.25
Total	18.00	17.49	17.44
Maximum Interest Rates Payable on Deposits			
Deposits			
Demand	3.20	3.23	3.25
Short-term	13.48	13.74	13.61
Medium-term	16.85	17.08	16.96
Long-term	17.90	17.85	17.81
Time	16.31	16.58	16.46
Total	11.22	11.29	11.26
Minimum Interest Rates for Loans Made to Enterprise Sector			
Loans			
Short-term	16.86	16.88	61.90
Medium-term	18.98	19.12	19.09
Long-term	22.43	19.73	19.58
Total	19.19	18.62	18.56

If we compare the minimum interest rates on loans with the maximum interest rates for time deposits, we find that the span between them is less than 2 percent.

The same ratio or span, for example, in Italy is between 2 and 3 percent. From this viewpoint then, it is not a difference in the span which is excessively high.

However, this only speaks to new loans. If we were to take into account all loans being made today, even those from past years, we would arrive at an average interest rate. In 1990, this average interest rate for the enterprise sector was 6.16 percent and reached 7.6 percent in the fourth quarter of 1990. Let us return to our table, however:

Although we see a decline in February in comparison to January for loans, the movement is in the opposite direction for deposits. The drop in interest rates on loans is concentrated in the category of long-term loans. This reflects the decision to break down loans into those made by commercial banks for inventories which are constantly turning over and their concentration in the Consolidation Bank. This operation began as early as February when the central Bank of Commerce received 73.5

billion Czech korunas [Kcs] worth of such loans from its branches. Their character was changed from short-term loans or medium-term loans to long-term loans with the proviso that they will continue to be carried on the books and that enterprises will naturally be paying them off only at an interest rate of 13 percent.

The decline of interest rates on long-term loans is particularly noticeable in the last table showing conditions in the enterprise sector. In the first table, which also includes loans to the population, this decline is not quite so clear. On the contrary, here it is possible to note that long-term loans are made at lower interest rates than medium-term loans.

However, there is a need to explain the fact that the interest rate on long-term loans is influenced by loans made by savings institutions at interest rates of 1 percent, 2.5 percent, and 2.7 percent. These are, for example, loans for individual dwelling unit equipment, loans to newlyweds, and loans for more expensive repairs and modernization of single-family houses.

The share of these loans in long-term loans in January was 18.4 percent and in February 13.3 percent after being converted to long-term loans. In February, these loans increased by Kcs610 million.

So much for the dry language of statistics which tends to disprove the opinion that interest rates on loans are too high or even the view that the banks are getting rich at the expense of enterprises. The banks operate with money from the population and the population has reacted positively to existing developments: The population is avoiding making purchases at high prices and is giving preference to savings.

### Proposed National Bank Law Discussed

91CH0637G Prague HOSPODARSKE NOVINY  
in Czech 14 May 91 p 9

[Article by Eng. Petr Vojtisek, Czechoslovak National Bank: "The Goal: Stability of the Currency; The Proposed Law on the Czechoslovak National Bank"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] Another legislative building block of the economic reform which is just now entering the approval process is the proposed law on the Czechoslovak National Bank. In the following article, we provide information on the main principles of this proposal.

Law No. 130/1989 on the Czechoslovak National Bank freed the Czechoslovak National Bank from current commercial activities and, beginning in 1990, the bank began to act as the central bank of the state. The above law was being prepared during 1988 and 1989 on the basis of then valid economic concepts. As early as the beginning of 1990, this law proved to be unsuitable, particularly with respect to the portion dealing with currency planning, tie-ins with the state plan, and with the subordination to the government in general. The

original assumption of the partial amendment was already rejected halfway through last year along with the requirement that a new law be prepared which would correspond to the laws governing central banks in developed countries in its overall concept. This procedure was then unanimously recommended by the IMF mission. In recent days, the proposed new law was discussed by the management of the Czechoslovak National Bank and was disseminated for mark-up comments.

The proposed law on the Czechoslovak National Bank was discussed with the individual missions of the IMF, with representatives of the World Bank, and provisions from laws on central banks were utilized, particularly provisions of the law on the Bundesbank and the law on the European System of Central Banks and the law on the European Central Bank were taken into account.

The law as proposed constitutes the legal foundation for the functioning of the Czechoslovak National Bank as a standard central bank which monitors the stability of the currency on the basis of price stability as its basic goal. Toward this end, it must be relatively independent of the government. The Czechoslovak National Bank will support government policy as long as it does not conflict with the above-mentioned basic goal.

The Czechoslovak National Bank will be headed by a collective leadership. The method for appointing individual members of the leadership, the firmly delineated functional term of office, during which members cannot be recalled for reasons other than those which are specifically stated, even assure the essential personal independence. On the other hand, however, the Czechoslovak National Bank will be under the constitutional control of the public and its relationship with legislative bodies will be stressed. At a minimum of twice each year, the governor of the Czechoslovak National Bank will report to the Federal Assembly on the development of the currency.

The proposal for the law is based on the constitutional law, according to which the central bank acts as a legal entity which stipulates and asserts a unified currency policy. In conjunction with the constitutional law, the bank respects the outlined jurisdictions, which expressly expand the jurisdictions and activities of the republic centers, which are part of the Czechoslovak National Bank.

According to the proposed law, the basic tasks of the Czechoslovak National Bank include control of the money in circulation, control of payments contacts and accounting. The central bank, moreover, has the exclusive right to issue bank notes and coins.

The transition toward a market economy results in the rapid growth of the number of commercial banks and the expansion of their transactions, something which has already compelled the establishment of organs of banking oversight. In comparison to the current status, however, the proposed system of banking oversight

establishes clear legal prerequisites for the secure functioning of the banking system and its purposeful development. The primary goal of banking oversight is protection of depositors against possible risks in the management of commercial banks and the strengthening of the public confidence in the banking system and in the currency. The secure operation of banks is expressly conditioned by the effectiveness of the currency policies of the central bank.

Moreover, relationships and transactions of the Czechoslovak National Bank involving the state and other banks are newly formulated, as are the functions of the bank as the fiscal agent of the state and as a bank for the banks; similarly, transactions of the Czechoslovak National Bank in the open market, as it is customary in laws and practices of central banks, have also been newly formulated.

The proposed law replaces several existing generally binding legal regulations which deal with the problem of the currency, of the monetary system, and of money in circulation. The proposed amendment expressly contributes to simplifying the legal code and eliminates the tie-in between the legal adjustment of the currency to Law No. 41/1953 on the monetary reform, which had been amended several times in the past and still was inadequate for current needs. The proposed amendment, thus, comes close to the status which existed during the period between the two wars, but is simpler in comparison to it. The authorities of the Czechoslovak National Bank are strengthened in this area, because the participation of the Ministry of Finance in jurisdictions involving the area of issuing currency over the past 30 years of the validity of the law on currency reform proved to be dysfunctional. The intermediate step involving government regulations which supplement the system of legal tender by adding other types is eliminated. The selection of denominations will be entirely within the jurisdiction of the Czechoslovak National Bank which can and must adapt the system of bank notes and coins to the requirements of money in circulation and its rationalization, as required.

### **First Automated Labor Market in Prague Viewed**

*91CH0637F Prague HOSPODARSKE NOVINY  
(weekly) in Czech 16 May 91 p 6*

[Unattributed article: "The First Labor Market in Prague"]

[Text] The predominance of the supply over demand, a characteristic of the developing market environment, is beginning to influence the job opportunities for citizens. The unpopular manifestation of this fact is growing unemployment. Labor exchanges, as brokers of new job opportunities, routinely check on the status of the labor market in their regions.

The Labor Exchange for the capital city of Prague, which has jurisdiction over 35,000 organizations on its territory, has begun to systematically process the required

data in collaboration with enterprises. Employees of the Labor Exchange select critical branches, invite representatives of organizations to attend meetings and, at joint meetings, inform them regarding their obligations based on the employment law. Through the use of questionnaires, they find out which professions are in demand in the given industry and which have no prospects, which enterprises will be dismissing workers, and which enterprises are in need of new employees, they find out about the intentions of enterprises regarding the training of apprentices, any interest in retraining, and the possibilities for accomplishing this retraining. Special care is devoted by the Labor Exchange to handicapped workers, whose employment has been newly adjusted by legal regulation.

The main result of this activity (consultations and questionnaire investigations) is the labor market. In it, some of the workers who have been dismissed and are seeking assistance at the Labor Exchange will find the possibility of new jobs.

The first Prague labor market was held on 22 April of this year. Construction organizations exchanged supply and demand lists at this market which listed the number of workers dismissed or required, separated as to technical management employees and manual laborers, according to trade, in three time frames (from 1 May through 30 June, from 1 July through 30 September, and from 1 October through 31 December).

The results of investigations in 154 construction organizations in Prague show that the number of workers dismissed (a total of 5,465) was several times in excess of the number hired (1,657). Women will be particularly

impacted as a result of the reduction in technical management personnel in management components of the organizations.

Trades which can be designated as being in short supply include brick masons, carpenters, locksmiths, tile setters, heating mechanics, and stucco plasterers. There is a surplus of drivers, repair mechanics, electricians, machinists, automobile mechanics, warehousemen, construction laborers, plumbers, and tunnel builders.

Developmental or close-down intentions of individual organizations react to the immediate situation in sales pertaining to their products. The immediate future and the conduct of the PREFEA Enterprise depends on closing an order with the USSR; if it comes about, the enterprise will hire 500 new employees; in the opposite case, it will dismiss 400.

Organizations which are announcing the largest number of dismissed workers include the Metrostav Enterprise (in the above-listed time frames, this involves 400, 500, and 300 employees, respectively), the Konstruktiva Transport Mechanical Enterprise (150, 195, 210 employees), the Prague Highway and Water Management Construction Enterprise (by 30 December, 372 employees dismissed), the Railroad Engineering Establishment (626), the Highway and Railroad Construction Enterprise (230), and the Prague City Renovation Enterprise (270).

A number of enterprises which previously trained apprentices are not establishing new apprentice positions for economic reasons (Stavomont, Prumstav—Plant No. 01, Renova, Erected Construction Enterprises—Plants 1 and 2, Rekonstrukce, and others).

### **Katona Addresses Two-Day Vienna Forum**

*LD2606104791 Budapest Kossuth Radio Network  
in Hungarian 1600 GMT 23 Jun 91*

[Excerpts] Hungary, Czechoslovakia, and Poland, on the road to Europe, must solve a proportion of the tasks in an independent manner. This has been stated by Tamas Katona, state secretary for the Ministry of Foreign Affairs, at a two-day consultation in Vienna about the change in East Europe. The Hungarian politician added that there are areas in which the three countries could work together beneficially. Among the tasks to be solved independently, he listed the full construction of a multi-party parliamentary democracy, the creation of basic organizations of self-governments, the transformation to a market economy, and the guaranteeing of individual and community human rights.

Speaking about the economy, Tamas Katona stressed that until the ability to compete on a European level is achieved, it is essential to press for getting into the integration body. [passage omitted]

At a news conference closing the forum, Tamas Katona expressed the hope that the G-7 summit will help the Soviet Union by making use of Western assistance to repay its debts to the East European countries and to place its trade on new bases with them.

### **Immigration Office Reports Increased Applications**

*AU2606203091 Budapest NEPSZAVA in Hungarian  
25 Jun 91 p 1*

[Article by "H.I.": "Twenty Thousand New Hungarian Citizens—Most of Them Come From Romania"]

[Text] Our country seems to be most attractive for our Eastern neighbors, at least as far as intentions to settle here are concerned. We learned from Gyorgy Dobos, head of the Foreign Citizen and Passport Department at the National Police Headquarters, that this year they have received 7,572 requests for immigration as of 31 May. The distribution of requests according to citizens of various countries shows a rather peculiar picture. Of these applicants, 6,133 are Romanian. The applications of 572 Soviets, 173 Chinese, and 93 Syrian citizens are still awaiting decision. The rest of the applicants announced their requests from various parts of the world. (Some 415 Hungarian citizens had applied for emigration as of the end of May.)

To our question on whether Soviet soldiers who recently left Hungary have applied to settle here, and how many, an immigration official, Mrs. Dobos, warned that we must not confuse immigration requests with the aforementioned Soviet claims, because according to our law on immigration, immigration requests can only be submitted during a lawful stay in Hungary. Army affairs are outside the jurisdiction of the ORFK [National Police Headquarters]. Therefore, in spite of the inquiries, these cases are not being dealt with.

Many people would like to acquire Hungarian citizenship.

According to our information, President Arpad Goncz signed nearly 8,000 such requests. According to Edit Madari, head of the citizenship subdepartment at the Interior Ministry, considering that each request usually represents a three-person family, approximately 20,000 people acquired Hungarian citizenship last year. So far this year, they have dealt with 3,000 cases of naturalization.

### **Plans To Halt Massive Transit of Drugs Detailed**

*91CH0653A Budapest TALLOZO in Hungarian No 22,  
31 May 91 pp 1042-1043*

[Interview with Dr. Gyorgy Balogh, the national commander of the Customs Service, by Valeria Albert; place and date not given: "What Are We Doing Against Drug Smuggling?"—reprinted from ELET ES TUDOMANY, 24 May 91]

[Text] Because organized crime, this includes drug smuggling, knows no national borders, efforts to combat it require international cooperation. Therefore, Hungary's decision to join last fall the Pompidou Group, the European Community's association against drug trafficking and drug smuggling, has been an important one.

A few days ago our government also established an interdepartmental committee of some 30 interested officials, to coordinate the struggle against drug abuse and drug trafficking. To find out the actual scale of international drug trafficking that affects us as well, and what our country can do about it, we interviewed Dr. Gyorgy Balogh, the national commander of the Customs Service.

[Balogh] Probably five or six metric tons of narcotics pass through Hungary each year. Although this huge quantity is transit contraband, we nevertheless would like to control it more effectively, and to stop it to some extent at the Hungarian border. To that end we will be setting up three control centers this year. Their task will be to screen out drug shipments at our southern and eastern borders and at Ferihegy Airport, respectively. The work of these centers will not be limited to checks at the border station or point of entry itself; instead, a center will cover the entire border zone assigned to it. The staff of the centers will consist of experts with special training. They will be in direct contact with the rest of the Customs Service, the Border Guards, and the domestic and foreign police. We will be able to implement this program with financial assistance from the United Nations Fund for Drug Abuse Control and with international technical assistance.

[Albert] What exactly will that technical assistance involve?

[Balogh] First of all, we have to equip ourselves with suitable communications equipment. We can gain access to international information, and exchange information,

only with the help of fast and modern communications equipment. The experts of a center will actually be organized into mobile teams, and they will need communications equipment to maintain contact with one another and with the center. Furthermore, like the police, we too have been using for some time at the border stations the test kits developed by the aforementioned United Nations Fund. These are small, portable standard packs with whose help preparations suspected of being narcotics can quickly be checked, even aboard a train if necessary. They operate on the principle of a chemical reaction producing a color change. As many stations and experts as possible should be equipped with these kits. In addition, we are relying mainly on dogs trained to detect narcotics.

[Albert] What breed are your dogs?

[Balogh] Earlier we used only German Shepards at our border stations. But those dogs are too large, unable to crawl into every nook and cranny. Many different breeds, down to and including even Spaniels, are suitable for this purpose. What really counts is not so much the dogs' pedigree or lineage, rather their combination of individual traits: in addition to a good sense of smell, also their stamina, trainability, and discipline. Even in possession of all these traits, a dog is able to work for 20 minutes at most in one stretch. Sniffing out narcotics is hard work for the dog; it requires a high degree of concentration to identify a smell, and the dog soon tires. Arriving from the breeders at the age of 12 months, the dogs must pass a rigorous aptitude test and are then trained to recognize the smell of only one or two narcotics. From among several hundred confusing smells, the dogs are able to identify hashish and heroin (the two drugs most commonly smuggled through Hungary). Already the dogs' very presence at border stations is in itself a kind of prevention and defense, or a deterrent to be more exact.

[Albert] To what extent are you able to detect narcotics with the help of instruments? Can a technological breakthrough be expected in this area?

[Balogh] To detect on the basis of their smell the narcotics hidden in large motor vehicles or tractor-trailers, some countries are using instruments operating on the same principle as the vacuum cleaner. Imagine that the vehicle being checked passes through a system similar to an electronic gate, one with a built-in dust remover that is connected to an analyzer, which in turn detects the narcotic in the collected air. Hungary does not have such a gate, and we are not planning to install one. First, because it is very expensive. Second, because it is not very reliable.

From the progress in technology we mainly hope that we will soon be able to equip our mobile teams at the three centers with endoscopes and other cavity-inspecting instruments. If you consider how many tubes, cavities, etc. there are in a tractor-trailer, it is not so easy to use an instrument that is able to enter every concealed nook.

And let us not forget that 200,000 tractor-trailers pass through our country each year. The task of checking them is formidable even in terms of volume: the average tractor-trailer carries 40 metric tons of cargo, in which you have to find the hidden heroin that often is less than one kilogram.

[Albert] You have been talking mainly about checking vehicles. But one also hears horror stories about people concealing drugs on their person or inside their bodies.

[Balogh] Many people choose the method of smuggling in their body cavities, although that is very dangerous. They swallow the drugs packed in capsules or condoms. But the "package" can very easily burst open in the stomach or the intestines, in which case the smuggler dies instantly of an overdose. The dose concealed in such a capsule is fairly large. Furthermore, there are quantitative limits for this method of smuggling. It is physically impossible to swallow three kilograms of heroin. The amounts smuggled in this manner usually are 0.25 or 0.5 kilogram.

[Albert] To what extent is our legislation keeping pace with the "development" and spreading of drug smuggling?

[Balogh] Hungarian experts also participated in drafting the new 1988 Vienna Narcotics Treaty on the international prosecution of drug trafficking. Although the Republic of Hungary is a signatory, it regrettably has not ratified the treaty as yet. Because ratification will require extensive groundwork. Once the proceeds from drug trafficking or even property acquired with such proceeds can be confiscated, we will be able to prevent the laundering of drug money. But bank secrecy and the country's "hunger for foreign currency" rule this out for the time being, and the source of funds cannot be investigated even in such dubious cases. In the future, on the basis of the law [ratified treaty], it will be possible to let the discovered drugs through under surveillance to the consignees, the distributors and the drug mafia. The treaty also provides for the control of the precursors that are starting materials for the chemical and pharmaceutical industries and are processed biochemically in a variety of ways.

It is essential to harmonize the most important provisions of the Criminal Code with the international regulations. In Hungary, the penalties for drug-related offenses at present are much more lenient than in other countries. In Germany, for instance, a drug dealer caught selling even two or three kilograms can expect to receive a prison sentence of eight to 10 years on average; and drug pushers, who sell drugs in order to have access to them for their own habit, are dealt with just as severely. In our country, however, nobody has been sentenced to even five years for such offenses.

[Albert] If we were to compile statistics, who would be heading the league table? Would it be primarily the citizens of which country have "specialized" in drug smuggling?

[Balogh] In Europe, the Turks are in the lead in every field. In addition to drug smuggling, they retain control also of drug dealing and pushing. Seventy percent of the drugs reaching West Europe comes through Turkey. But the presence of Arabs in Hungary and their activity in this field cannot be disregarded; they too are smuggling drugs in smaller quantities, mainly for Hungarian drug addicts.

[Albert] If we wanted to show on Hungary's map the transit of drugs through Hungary, what route would we have to mark?

[Balogh] From the direction of Yugoslavia, drugs enter our country at its southeastern corner. They exit through the northwestern gate, i.e., through the Vamosszabadi-Rajka-Hegyeshalom area.

[Albert] How will the political and economic changes taking place in the countries of East Europe affect the main transit routes?

[Balogh] So far the main transit route, the first Balkan route, has avoided our country; it runs through Yugoslavia into Austria and continues from there to Germany or other West European countries. The second Balkan route reaches our country through Bulgaria and Romania, and from here it continues through the Czech and Slovak Republic to the Scandinavian countries or Germany. Perhaps the drugs are brought by ship to Constanza, from there into Romania, and then through us to West Europe. Because control along the first Balkan route (through Yugoslavia) is very strict, more and more drug smugglers are choosing the second Balkan route these days. The transit route that starts in Central Africa and is supplying more and more hard drugs to West Europe continues to avoid our country. Drugs are most often shipped along this route in sealed containers by sea, avoiding many control points and frequently entering the western half of this continent through the ports of Rotterdam, Hamburg, etc.

[Albert] Has a third route not developed through the Soviet Union and Poland? After all, drug addiction did spread among Soviet soldiers during the war in Afghanistan.

[Balogh] Yes, they became addicted. However, wild hemp, with a high THC [tetrahydrocannabinol] content suitable for smoking as pot, has always been grown in the southern Soviet republics. Much heroin and opium was produced in Poland at one time, and many laboratories

were seized there. But production has been successfully suppressed by enacting criminal laws that were strict even by West European standards. There, too, addicts are taking mainly pharmaceutical preparations in significant quantities. But I am unable to cite any example of drugs reaching West Europe by land, through the Soviet Union and Poland. However, I do know of many cases in which substantial quantities of drugs have been smuggled by air from the Near East, through Moscow and Warsaw.

[Albert] Do you find that drugs are arriving in our country also from the West, for the smugglers' own consumption?

[Balogh] In recent years, the consumer goods in private trade have often been brought in from the West by Hungarian tourists on shopping trips, even when there was no need for the consumer goods. In the same way, some Hungarian tourists are willing to spend their foreign currency also on drugs. Large quantities, for resale, have not been smuggled into Hungary in this manner; but small quantities have been, for the smuggler's personal use or for his close friends. Statistical data bear this out. If he has tried these hard drugs at all, the Hungarian consumer is able to afford only small quantities for the time being. In this sense, then, the flow of drugs into Hungary is not one-way.

[Albert] At the start of our interview you mentioned five or six metric tons of drugs being smuggled through Hungary. How much is being smuggled into Hungary as the final destination? Or is the use of hard drugs "still" so insignificant in Hungary that it does not really count in international comparisons?

[Balogh] Hungary has not been particularly a final destination for hard drugs because the forint was not convertible, and drug traffickers did not regard it as "money." Our drug addicts had cheaper and easier access to narcotics-containing pharmaceutical preparations than to drugs sold by smugglers. Although the forint is still not convertible, its exchange on the black market has become everyday practice, and more and more of the persons not paying in foreign currency are now able to afford the astronomical prices. At least that is the conclusion we may draw from the sudden appearance of drug pushers at some places of entertainment in our cities. Although that is a matter for the police, we must help one another in taking action against this new wave.

### Poll of Attitudes on German Unification, Minority

91EP0517A Warsaw KONFRONTACJE in Polish  
No 5 (40), May 91 p 22

[Unattributed article: "Research: Attitudes of Poles Toward Germans"]

[Text] The Center for Research on Public Opinion [OBOP] conducted a poll on a random sample, representative of 1,000 adult Polish residents (878 interviews were conducted in the planned 1,000-person sample—the margin of statistical error for a sample of that size is a maximum of plus or minus three percent) to determine opinion on the German minority in Poland and the effects of German unification on Poland. The poll was conducted during the period that the Federal Republic of Germany questioned Poland's right to participate in the two-plus-four conference.

#### The Poll Showed:

- The existence of an almost universal belief that the German minority should have the same rights as other minorities in Poland.
- The prevailing opinion that this minority should be guaranteed masses and schools in the national language.
- The predominance of the anticipation that there will be strains and tensions between the German minority and Poles.
- A distinct lessening of fears connected with the political and economic effects of German unification on Poland, which from the political aspect, resulted in almost the same percentages of people anticipating positive and negative effects, and from the economic aspect, led to the quite clearly prevalent opinion that the unification of Germany is good for Poland.

#### Postulated Rights for the German Minority

There is an almost universal belief among Poles that the German minority in Poland should have the same rights as other minorities in our country.

#### What Rights and Freedoms Should the German Minority in Poland Have? (in percent)

Greater than other national minorities in our country	1
The same as other minorities	82
Fewer than other national minorities in our country	11
Hard to say	8

The relatively small amount of resentment felt toward the German minority is shown by the fact that only one-tenth of those polled demand that Germans be granted limited rights in comparison with other minorities. This resentment increases slightly with the age of those polled and is somewhat higher among people of

lower education. But it should be emphasized that in all sociodemographic groups, the advocates of equal rights decidedly prevail.

Two very detailed questions were also asked in the poll pertaining to the rights to which the German minority in Poland would be entitled. They referred to the right to hold mass and teach in the schools in the national language. In both the first and second case, over half of those polled accept such a right, and approximately one-third are against it.

#### In Those Areas Where There Is a German Minority, Should There Be...?: (in percent)

	Masses in the German Language in Churches	Schools With Lectures Given in German
Decidedly yes	7	8
Rather yes	49	49
Rather no	23	22
Decidedly no	12	11
Hard to say	9	10

#### Anticipations Regarding the Possibility of Conflicts With the German Minority

There is a clearly prevalent opinion that there will be conflicts and strains between Poles and the German minority in Poland.

#### Will There Be Conflicts and Strains Between the Poles and the German Minority in Poland? (in percent)

Decidedly yes	7
Rather yes	44
Rather no	30
Decidedly no	3
Hard to say	16

The persons polled were also asked, "Will issues connected with the German minority in Poland cause strains and conflicts in government relations between Poland and Germany?" The following distribution of replies indicates that opinion on this question is divided.

#### Will Issues Connected With the German Minority in Poland Cause Strains and Conflicts in Government Relations Between Poland and Germany? (in percent)

Decidedly yes	5
Rather yes	33
Rather no	39
Decidedly no	3
Hard to say	20

### Political Effects of the Unification of Germany

Approximately six months after the actual unification of Germany, OBOP repeated a number of questions asked several times previously about the effects of the unification of FRG and GDR on Poland. In all previous polls the opinion prevailed more or less clearly that the unification of Germany will have a negative effect on Poland. The present opinions on this question are exactly divided; the percentage of persons polled who assess the effect of the unification as favorable and as unfavorable is identical.

Here are the figures on the answers to the question, "Is (would be) the unification of GDR and FRG good for Poland?" obtained over the last three years:

#### Is (Would Be) the Unification of GDR and FRG Good for Poland? (in percent)

	November 1989	March 1990	October 1990	March 1991
Decidedly yes	4	2	5	5
Rather yes	21	11	24	34
Rather no	30	42	34	31
Decidedly no	15	25	16	8
Hard to say	30	20	21	22

Public opinion is divided on the matter of a possible threat that a united Germany may pose to Polish borders. A comparison of the results of replies from last year and this year indicates a gradual lessening of fears on this issue.

#### Will a United Germany Be a Threat to Polish Borders? (in percent)

	March 1990	October 1990	March 1991
Decidedly yes	28	12	6
Rather yes	41	38	36
Rather no	15	28	36
Decidedly no	2	6	4
Hard to say	14	16	18

### Economic Effects of the Unification of Germany

Two questions pertaining to economic aspects were also asked in the poll. To the generally formulated question, "Will, for economic reasons, the existence of a united Germany be beneficial for Poland?", a distinct prevalence of positive opinions over negative ones was obtained.

#### Will, for Economic Reasons, the Existence of a United Germany Be Beneficial for Poland? (in percent)

	October 1990	March 1991
Decidedly beneficial	5	6
Rather beneficial	38	50
Decidedly not beneficial	5	2
Hard to say	24	20

And what, in the opinion of those persons polled, will Polish-German economic relations be like in five years? The respondents were given four scenarios and asked to choose the most likely one. The following distribution of votes was obtained (presented in the order of decreasing percent in replies).

#### What Will Polish-German Economic Relations Be Like in Five Years? (in percent)

Poles and Germans will develop open economic cooperation which will bring great benefits to both sides.	35
Germany will not want to develop wide-scale economic contacts with Poland, believing that we are not a good partner for them.	25
The Poles will be so afraid of the predominance of the Germans that they will try as hard as possible to limit economic contacts with Germany.	16
The entire Polish economy will be dependent on German capital and it will bring benefits to it, and not to the Poles.	11
Hard to say.	13

None of the possibilities presented to the persons polled received a clear majority of votes. Slightly over one-third of the total chose the optimistic scenario "mutually beneficial intensive cooperation," but two-fifths of the total are those who fear that the most likely scenario is the rather pessimistic version "limited contacts." Also, what is interesting, is that there are more people who believe that it is the Germans who will not want intensive cooperation than there are who believe that the blame for limiting cooperation will be on the Polish side. A relatively small number, only one-tenth of the total, predict that it will come down to "economic dependence and one-sided benefits to the German side."

The only socio-occupational group in which the positive scenario of "mutually beneficial intensive cooperation" prevails, is the group of persons working for themselves, which continues to be small in our country.

### Commentary on Draft Law on Ethnic Minorities

91EP0516A Warsaw KONFRONTACJE in Polish No 5(40), May 91 p 28

[Article by Tadeusz Andrzej Olszanski: "Ethnic Minorities in the Sejm?"]

[Text] One of the problems considered during discussions of the new election ordinance was ensuring representation in the Sejm for ethnic minorities that are mostly too small in numbers or too scattered to have a mandate under a proportional voting [system]. A plan was devised therefore for "reserving" several deputy seats to be filled by members of ethnic minorities in separate elections.

This plan, sensible at first glance, has basic disqualifying flaws. It is a retreat from the principle of different options and undermines the foundation of democracy: equality of citizens under the law. In modern democracy,



the parliament is not a representation of specific groups of voters, but of all the citizens of the country, equal in their right to form its highest authority. And regardless of whether the citizens vote in "minority electoral groups" (as this system was called in the past and there is no reason to avoid this term now), they will not vote in an "electoral group of general elections" and, by the same token, will be deprived of influence on the political shape of the Sejm, or they will have two votes, voting both for "their own" and for "countrywide" candidates. The principle of equality will be seriously violated.

There is another aspect of this problem to which no one has called attention thus far. Until now, the ethnicity of a citizen in Poland is his private affair, he does not have to declare it, no rights or obligations emanate from it, nor does anyone in authority have the right to verify such a declaration. Introducing a "minority electoral group" would mean recognizing the ethnicity of citizens as a public-legal category. The registration of voters in those "electoral groups," and perhaps also some form of verification would become necessary. Who is to do this? And according to what criteria? There is no good answer to this, and perhaps there can be none.

What is worse, we might expect that only a small proportion of voters among ethnic minorities would register. I believe that in the case of Ukrainians, and perhaps also Belorussians, one-fifth or one-fourth of the registered voters would be a high figure. This would be a discredit to the "ethnic electoral groups" as well as a setback, fraught with far-reaching consequences, for the ethnic groups themselves.

Of the three ethnic minorities whose numbers entitle them to deputy seats (in Poland at present there is one deputy for approximately 100,000 residents), Belorussians and Germans will easily get deputy seats in proportional elections without additional privileges. In the case of the Ukrainians, however, in view of their being scattered throughout the country, there is no solution other than the solution of 1989: nomination of candidates of this ethnic group by respected political parties. There is no reason why the Center Accord, the Democratic Union, or the Labor Party should not nominate Ukrainians, Lithuanians, or representatives of other ethnic minorities living in Poland.

### Peasant Party Leader Queried on Major Issues

91EP0521B Warsaw LAD in Polish No 18,  
5 May 91 p 2

[Interview with Ryszard Bender by Maciej Letowski; place and date not given: "Three Questions to Ryszard Bender"]

[Text] [Letowski] A PSL [Polish Peasant Party] electoral coalition, the PSL Solidarity RI [Private Farmers—Rural Solidarity] has been formed. How can relations between the ChD [Christian-Democratic] movement and the peasant movement, both undergoing unification, be set up and how should they be set up?

[Bender] That is a rhetorical question. This coalition should be expanded by the ChD groupings. The PSL was closest to the ChD, not the liberals. The PC [Center Accord], which recently proclaimed that it was ChD, could also join. This would create a political force which would have a good opportunity in the coming parliamentary election. Only such a coalition would be capable of removing the camp of the left from power, which for Poland is indispensable.

[Letowski] Social consultation on the antiabortion law has resulted in a decisive success for its advocates. The Sejm commission has accepted the draft of this law. On the other hand, Jacek Kuron and his political friends, unable to be reconciled with these facts, are collecting signatures from delegates recommending a referendum. What do you think about this new joint initiative of deputies from ROAD [Citizens Movement-Democratic Action] and the PKLD [Parliamentary Club of the Democratic Left]?

[Bender] I am not surprised that deputy Jacek Kuron, a deputy from the left, and the lay left at that, is doing this. We Catholics are bound by the fifth commandment: do not kill—which refers to every life which has been conceived. This is a matter of our faith, morality, and conscience which is sensitive or hard as rock. Only the latter can lean toward the referendum. Moral laws are not passed by a ballot, even a general ballot. The signing of Kuron's recommendation by the ROAD deputies or the UD [Democratic Union] deputies will prove that they treat Christian truths selectively. And that they do not take heed of natural law.

[Letowski] "I am opposed to the influence of the church on the state," stated UD leader Tadeusz Mazowiecki. Do you share this point of view?

[Bender] I do not share that viewpoint, despite the fact that I am opposed to theocracy, such as exists, for example, in Islamic countries. Nor do I favor the pre-Partition state system whereby in the Republic, when the chancellor was a secular person, the deputy chancellor was a member of the clergy and vice versa, even though that did have its positive aspects. On the other hand, society, the majority of which is Catholic, cannot be prevented from demanding that the state (which ought to be the servant of the people) respect the religious, the moral, and the ideological values pointed out by the church in the legal system, in the constitution, and in public life. The U.S. Congress has chaplains of several faiths and sessions are opened with prayer. Under Polish conditions, the closer the church and the state are, the deeper the ties between the church and state, the better it is for citizens and for the people. Wise Jews perceive this and are not scandalized by such a situation in Israel, even though it is somewhat radical in nature. There is no protest against it in Poland or throughout the world. Would the Catholic Church be a greater danger to the state? How absurd!

### **SdRP Examines Coalition Possibilities**

91EP0521C Warsaw TRYBUNA in Polish  
21 May 91 p 3

["Excerpts" of a news conference by Aleksander Kwasniewski and Leszek Miller with foreign and domestic correspondents following the First National Convention of the Social Democracy of the Polish Republic in Warsaw on 20 May, edited by (EWAR): "The SdRP: Alongside One Another, If It Is Not Possible To Go in Together"]

[Text] [REUTER] Will the SdRP [Social Democracy of the Polish Republic] make amends for martial law?

[Kwasniewski] Until now the SdRP did not favor martial law. Nor is this part of its plan. Thus, there is no reason for such behavior. Preparing a position giving our attitude to the past is another question. We are opposed to the black-and-white picture of the 45-year period in which it was treated as a series of crimes and misfortunes and we are preparing a document in which we shall evaluate the past and also give our view of martial law.

This conference showed that journalists are more interested in the place of the SdRP on the Polish political scene and in the possible opportunities for electoral alliances than in the program work of the SdRP.

[REUTER] Is a preelection coalition with Party X possible?

[Kwasniewski] The SdRP will announce an election platform between August and September. Aware that among the left biographies are still more important than the future and practicalities, the SdRP proposes that if it is impossible to go in together, we should go in alongside each other, but never in opposition to one another.

The SdRP is a party with no prejudices. It will speak to those who want to solve Poland's problems just as it does. Although the poetics and the rhetoric of Party X are not always clear and comprehensible, an understanding with it is not ruled out. The SdRP is directing the broadest possible offering of cooperation to the left. It sees certain similarities between its own program and several proposals of Bujak's RDS [Democratic-Social Movement] and between its own program and the Democratic Union and Labor Solidarity....

[REUTER] Is the SdRP threatened with a split and the creation of a faction?

[Kwasniewski] The creation of a faction is statutorily guaranteed in the SdRP. Another great virtue of this party is the fact that the battles are played out vocally, while doubts are revealed in the assembly and not in the lobbies. There are frequently tactical differences; strategic differences appear more rarely. That is where the strength of the party lies.

[GLOS WYBRZEZA] What happened to the \$7 million?

[Leszek Miller] We inherited the seventy million—in zlotys—from dues from the PZPR [Polish United Workers Party], which had 2 million members. This money was not sent abroad, but deposited. From this sum we paid compensation to 10,000 laid-off PZPR permanent employees, and then to another 2,400 of them. We paid an election debt at the PKO [General Savings Bank]. The rest was used to pay costs of party activity or it was invested—in accordance with the law—in economic activity.

### **First Silesian Christian-Democratic Party Formed**

91EP0521A Warsaw RZECZPOSPOLITA in Polish  
24 May 91 p 3

[Article by Barbara Cieszevska: "The Upper Silesian Christian-Democratic Party: The First Regional One"]

[Text] A month ago, precisely on 22 April, the first regional political party was registered in the Voivodship Court. It is the Upper Silesian Christian-Democratic Party and its leader is Kazimierz Switon.

Actually the roots of this party are to be found in the Christian-Democratic Labor Party [ChDSP] of Wladyslaw Sila-Nowicki, since Kazimierz Switon was one of its chief activists for a full two years. He was also chairman of the Supreme Council. However, the politics of this party and its unwillingness (according to Kazimierz Switon) to integrate with other Christian-Democratic groups caused him to break with this party. In Kazimierz Switon's opinion, the biggest mistake the ChDSP made, which led to its complete breakdown, was lawyer Wladyslaw Sila-Nowicki's announcement of his candidacy for the office of president.

Given this situation, a proposal was made at the congress of the voivodship branch of this party to create an autonomous Upper Silesian Christian-Democratic Party. In the first issue of WIADOMOSCI GORNOLASKIE, the organ of this party, Kazimierz Switon writes: "Its basic goal and task is to serve man and the family in our region, in which the bloodthirsty capitalism built by the former communist nomenklatura is a tremendous nuisance" [as published].

Regarding the program: The first point of the party program is the decentralization of the state into "autonomous regions and self-governing gminas." This point of the program also speaks of restoring the powers of the Silesian Sejm. In another place in the paper Kazimierz Switon writes simply: "...we want to rebuild and restore the dignity of this region by leading Silesia to autonomy with full powers."

The next point of the program is the "decolonization of the taxation system strictly associated with the decentralization of authority." The intent of this is to ensure regional financial autonomy and to free up initiative. Further on the program discusses the removal of the nation's economy from state control by "ferreting out and pointing out owners, in other words by accelerating

so-called reprivatization and privatization (i.e., the absolute liquidation of bureaucracy and nomenklatura which continue to destroy the economy and society)." The restoration of law and order and economical management in our country, according to the party program, "necessitates gaining sovereignty through enfranchisement," and the only "opportunity for rescue from the mistakes and collapse of the majority of residents...is group self-help, i.e., the cooperative...."

Regarding the economic situation: "Everything is falling apart," writes Kazimierz Switon in the introductory article of WIADOMOSCI GORNOSLASKIE. "We aim to make great strides in exploding society's discontent. We are sitting on a powder keg which may blow up at any moment and—God forbid—lead to a civil war. This is particularly evident at every step in Silesia. We are living in a gas chamber and Warsaw continues to treat us as its colony and takes all the funds that our region earns, just as the communists did. Instead of pushing ahead to change the system, we are beginning to go backward. The bureaucracy which was in place for decades at various levels of power is becoming enfranchised and we are beginning to drown more and more in a swamp of confusion, dirt, slovenliness, and the arrogance of state officials."

Regarding the trade unions and himself: As everyone knows, Kazimierz Switon was the founder of the free trade unions in Silesia. He founded them on 23 February 1978. Since that time, as he notes in his article, he has been arrested 58 times and was sentenced to a year in prison for the alleged beating of four policemen. He was interned and freed after three months, after which he was sentenced by the citizens' body for misdemeanors eight times from 1981-89.

Regarding today's trade unions he writes: "The allegedly autonomous trade unions, whose basic goal and task is to defend the worker from abuse by the employer, do not defend working people. They do not have time for this...they are scrambling for lucrative government positions and they are fighting among themselves about their salaries and about who is to become a deputy."

Regarding the need for self-defense: Kazimierz Switon maintains that if we want to defend our freedom, we must organize. To this end, we need a political party to defend the region in addition to such sociocultural organizations as the Upper Silesian Union. "To date in Poland no regional political party has been in operation," writes Kazimierz Switon. "Our Upper Silesian Christian-Democracy is the first one." He concludes his program article with the statement, "We must enter the battle over the defense of this region."

The Upper Silesian Christian Democratic Union numbers somewhat over 100 members. Kazimierz Switon claims that this is only the beginning.

### Outline of Naval Defense Doctrine Presented

91EP0533A Gdynia PRZEGLAD MORSKI in Polish  
No 4, Apr 91 pp 3-8

[Article by Commodore Dr. Mieczyslaw Andrzejczyk (retired): "Naval Defense Doctrine of the Polish Republic: An Outline"]

[Text] The need for Poland's own naval defense doctrine has already been mentioned by the present writer in a previous issue of this periodical.<sup>1</sup> Now the writer is presenting to the readers an outline of a naval defense doctrine, being aware that it is not perfect and inviting its discussion. Since naval matters are being mentioned, let me also offer a reminder of the related statements by E. Kwiatkowski, the theoretician, propagator, and executor of Polish naval policy during the interwar period. He had presented his views in the work bearing the extremely eloquent title, *We Are Building a New Poland on the Baltic*,<sup>2</sup> by stating, "Poland's naval problem must be considered in its entire political, economic, social, and administrative context from a different and completely new standpoint than that taken in the years 1918-39."

Here it should be emphasized that at present, too, naval and naval-defense matters should not be considered in isolation from political, economic, and defense changes, and they should rather be viewed comprehensively in their domestic and foreign context.

### Nature of the State's Naval Defense Doctrine

The naval doctrine of the state is in theory a coherent, normative system of general views and directives having a relatively constant, stable nature and relating to broadly conceived maritime problems. The scope of that doctrine encompasses the maritime economic complex as linked to other domains of the national economy—the manifold relations between man and society and the sea.<sup>3</sup>

A naval defense doctrine is a system of assumptions adopted by the state concerning the nature of combat at sea, the modes of waging that combat, the preparation of civilian and military maritime resources for that combat, the purposes of the state's activity in the domain of the maritime economic complex, and the most suitable instruments and ways of accomplishing these purposes, as suited to given political, social, and economic conditions.

The naval defense doctrine is an integral part of the state's defense doctrine and it elaborates broadly conceived maritime problems. Owing to its manifold ties to other elements of the defense doctrine, it is subordinated to higher aims and tasks, and it should therefore support the paramount aims of the state's defense doctrine.

The naval defense doctrine of the state allows—just like the defense doctrine—for the following basic problems concerning:

- The enemy.
- The extent of the sea-borne battlefield.
- The allies.
- The naval forces at the disposal of the state.
- The directions of preparation of the maritime complex for war.
- The method for waging naval combat.

The foregoing definition of a naval defense doctrine implies that assumptions concerning a potential war and the preparation of the maritime economic complex and naval forces for that war as well as the manner of waging it (this concerns naval combat, though not only that) are to be viewed as the basic elements of the defense doctrine. All the principal assumptions of the naval defense doctrine ensue from actually existing conditions, that is, chiefly, from the country's sociopolitical system, current international and domestic policy, economic level, and maritime economic complex, and from the geographical position of both the home country and the potential enemy. The naval defense doctrine, like the state's defense doctrine, is a resultant of various military assumptions, including those pertaining to armed conflict at sea and on the coast. On the basis of these tasks are identified the political, economic, naval, and military assumptions that must be linked to decisions concerning public security and internal order.

To accomplish the purposes of combat at sea and on the coast all the efforts, forces, and resources participating in that combat within the framework of the economic and military system have to be integrated. The naval forces and the maritime economic complex must be subordinated to the highest authorities of the state and of the Armed Forces (this concerns hierarchical and organizational subordination).

The naval defense doctrine is to comprise assumptions concerning combat at sea as adopted at every rung of the given naval organizations—from strategic to tactical and from bottom to top, and it should be followed by the naval high command and the territorial authorities. That doctrine should apply to not only the defense of the sea and the coast but also the defense of the maritime national interests of the Polish state, and for this reason it also has to be linked to maritime organizations and the maritime economic complex.

#### **Factors Affecting the Nature of the Naval Defense Doctrine**

The factors affecting the nature of the defense doctrine of the state are the accomplishments of the nation and the state (which took and are taking place) in every domain of activity in the country, both externally and internally. Among these numerous factors the most significant ones are the sociopolitical, economic, and military factors relating to the geographical location of our country and the extent of dangers to the state; for it is chiefly these factors that affect the shape, nature, and directions of development of our naval defense doctrine.

In the course of its historical development the Polish commonwealth has been scoring political and economic successes whenever its policy was sea-oriented and the northern border of the state was based on broad access to the Baltic. These considerations lay behind the aspirations of our nation and its rulers toward the sea, and behind our interest in broadly conceived maritime affairs. Of special importance was Poland's return in 1945 to the Baltic seacoast from Braniew to Szczecin, the reconstruction and growth of the Polish maritime economy and seacoast, and Poland's ties to the world, chiefly to the Baltic countries and the North Sea.

In domestic terms, the political and economic authorities have been acting with a view to strengthening Poland's position on the Baltic and its ties to the international maritime division of labor, as well as the growth of its importance in that division. The attendant circumstances are favorable in view of the economic potential and good facilities of the Polish seaports as well as the advantages afforded by the watersheds and basins of the Odra and Vistula Rivers. But the cardinal problem is the future economic shape of this country.

The existing political declarations in favor of a market economy entail a great deal of preparatory work; among other things, the restructuring of the economy, of the modes of property, and of the scale of state ownership. It appears that state ownership—this concerns chiefly the maritime economic complex—will still remain the principal mode of ownership in the economy for many years to come. However, the related economic activities should be based on the most up-to-date technologies and efficient management.

The policy of an independent and sovereign state, so far as foreign relations are concerned, will be defined by an international policy based on the principles of the United Nations Charter and the CSCE as well as on the Polish national *raison d'état* based on the European security system. This political concept will define our political and military alliances and the principles of cooperation with our neighbors and the Baltic countries. A major factor affecting the nature and directions of social and political development will be the international economic cooperation and, within its framework, Poland's share in the international division of labor. The nature of sociopolitical development in this country will also be influenced by the nascent new international maritime order—the new Law of the Sea. And an especially significant factor will be the striving for peace on the seas and oceans of the world, the striving to strengthen a lasting legal order favorable to the growth of navigation, fisheries, and scientific research, as well as to safeguarding ecological safety and a peaceful resolution of disputes.

Another important problem awaiting a peaceful resolution is the utilization of seas and oceans, of the open sea, and of the zones designated exclusively for peaceful uses.

This is linked to curtailment of military actions, reduction of nuclear and conventional weapons, the establishment of zones of peace and nuclear-free zones, and the cutting of expenditures on naval armaments. This is of special importance to the Baltic region. All these actions will affect the nature and profile of the naval defense doctrine and the preparation of our maritime economic complex for defensive purposes.

The shape and nature of the naval defense doctrine will be influenced by the maritime economic complex as a major factor decisive to the outcome of armed struggle.

Irrespective of the political and military situation in Europe and the world, our institutional premises and practical policies have been and continue to be greatly influenced by the level of our socioeconomic growth, and in particular by the status and level of growth of the maritime economic complex. The scale and structure of the needs of naval defense will be determined by the political and military situation in the Baltic region. The unity of policy, economy, and defense prevailing for that region and their reciprocal relations will, along with changes in the quantity and quality of naval armaments and, chiefly, the development of means of combat at sea, influence, both in times of peace and in war, the nature and directions of development of the naval defense doctrine. These changes are closely contingent on the potential of the maritime economic complex, the science and technology progress, the financial possibilities of this country, and the views of our neighbors, both allies and potential enemies, on the nature and course of modern war at sea.

Our present and future circumstances as regards the maritime economy and the Armed Forces are at a high level, with a promising potential for further growth. At the same time, the technical and technological advances scored abroad in the weapons of naval combat and the development of the naval forces of the Baltic countries, have left our own naval potential far behind. In addition to the advances in the armaments and equipment of the naval forces, major advances have been scored in their structure, command techniques, and forms and methods of waging naval combat.

A particularly important factor affecting the nature and development directions of the naval defense doctrine is the choice that will be made between waging naval combat autonomously or eventually with some allies or as part of a coalition. The nature and profile of our naval defense doctrine are moreover influenced by Poland's geographical, political-economic, and strategic position in the center of Europe at the perpetual crossroads of interests of many countries and blocs of countries.

The contemporary political alignment of the countries of Eastern Europe (and chiefly our proximity in the east and in the west to economic and military big powers) will play a major role in shaping our naval defense doctrine. A sensitive spot in our defense system is the seacoast, which requires special treatment in that system.

#### **Basic Assumptions Concerning the Preparation and Operation of Naval Forces and the Maritime Economic Complex in Accomplishing Defense Objectives**

Preparations for defense are part of all aspects of the maritime economic complex and of the entire society of the seacoast. These preparations are of a comprehensive nature and encompass the central organizational structure of the state, the local authorities as related to the central government, and the entire organized society of the seacoast (as related to the organized society of this country as a whole).

Historical experience and research accomplishments of the past indicate that the naval defense system be adapted to contemporary requirements and the basic premises of the state's defense doctrine as relating chiefly to broadly conceived maritime matters. This concerns political, economic, and military premises as well as those relating to public safety, internal order, and civil defense.

1. The principal political assumptions ensue from the nature and directions of development of national policy. Politics influences the defense doctrine and defense preparations of a country, which are to counteract various perils, including the outbreak of war. Political actions relating to defense are closely linked to the national defense doctrine, but assumptions concerning the directions of Poland's defense policy concern chiefly problems relating to the sea and the activities of the Polish government to strengthen peace, security, and international order on the world's seas and oceans.

The political aspect of the naval defense doctrine ensues from the principles of the Constitution of the Polish Republic and the international agreements and conventions ratified by this country. The agreements relating to the political-defense preparation of the society concern:

- Reinforcing the political-defense awareness of the society.
- Strengthening patriotic attitudes.
- Consolidating the ties of the Polish nation to the sea.
- Strengthening the bonds with Baltic countries and nations.

2. The principal economic-defense assumptions ensue from the nature of the economic and maritime policy, whose pursuit by economic entities is intended to promote the proper growth of the maritime economic complex as based on the latest achievements of technology and principles of efficient management.

The assumptions concerning material production are to promote the production of the means needed to satisfy the material needs of the national defense system. As for assumptions concerning the stockpiling of resources, these are intended to avert any eventual problems in the supply of the naval forces and other elements of the naval defense system. Resource stockpiles encompass productive capacities, finished products, and raw materials classified as state stockpiles. Then also there are the

standby human resources, which concern the human potential needed to satisfy naval, economic, and social needs. These resources must be linked to the development plans of the naval forces.

The purpose of the assumptions on the maritime defense infrastructure is concern for the proper performance of that infrastructure and for its growth as relating to both social and economic needs and defense needs. Maritime infrastructure comprises: harbors, shipyards and their supply bases, vessels and floating units of the merchant, fishing, special, and industrial fleets, access roads, transportation, etc. The whole of the matters ensuing from the promotion and growth of the maritime infrastructure is handled by the offices of central ministries and local administration. An important role here is also played by assumptions concerning the defense readiness of the maritime economic complex, which are intended to not only accumulate and expand the resources for the needs of the defense but also to maintain them in continuous technical and organizational readiness. Here appropriate organizational measures and legislation are needed, and this involves the need to draft corresponding laws.

3. The principal military assumptions provide for preparing and maintaining to the desired extent the combat readiness of the naval forces and of the resources designed for waging armed struggle at sea during an eventual war. These assumptions serve as the basis for determining the extent, structure, and operational designations of the naval forces. These should be prepared for participating in defense operations on the Baltic Sea, and especially for the protection and defense of the Polish sea zone, for supporting land troops in protecting the sea and the seacoast, and for defending the broadly conceived sea and our national maritime interests. The naval forces, their size, kinds, combat capacity, and tables of organization, are chiefly conditioned by their geographical-operational environment and the eventual and potential menaces, as well as on the current and long-range alignment of the political and naval forces. The development programs for the naval forces should be relatively stable, as that is a safeguard of defense security.

4. Principal assumptions concerning internal order and public safety. These principal assumptions should include:

- Information on the potential enemy.
- Information on counterintelligence and antidiversionary defense of the seacoast.
- Assurance of law and order on the seacoast.

5. As for the principal assumptions with regard to civil defense, these are intended to prepare the population, workplaces, maritime infrastructure, etc., for protection and defense and to assure their normal life and operation in wartime conditions.

#### Footnotes

1. M. Andrzejczyk, "Political and Economic Changes in the Polish Republic and Problems of Naval Defense," *PRZEGŁAD MORSKI*, No 3, Mar 91, pp 3-11.

2. E. Kwiatkowski, *Budujemy nowa Polske nad Baltykiem [We Are Building a New Poland on the Baltic]*, Warsaw, 1945, pp 5, 9, 12.

3. The maritime economic complex is to be construed as integrated organizational forms of maritime productive forces constituting a subsystem of the national economy relating to the broad (economic and noneconomic) utilization of the sea and its resources along with the immediate coastal areas. The basis for that complex consists of the maritime economy, that is: the transportation fleet, the fishing fleet, the industrial fleet, the seaports, the shipyard industry, inland navigation, and maritime infrastructure.

#### Overview of Export Conditions, Dynamics

91EP0522A Warsaw POLSKA ZBROJNA in Polish  
13 May 91 pp 1, 3

[Interview with Dariusz Ledworowski, minister for foreign economic cooperation, by Zdzislaw Lasota; place and date not given: "Freedom and Profit in Export"]

[Text] [Lasota] One indicator which characterizes a state's economic development is the scale and structure of its exports. Mr. Minister, which Polish products bring the most profitable prices? What, besides natural resources, do our trading partners buy from us most willingly?

[Ledworowski] Last year was the beginning of freedom and independence in foreign trade. Together with the introduction of the convertible zloty, the subsidies previously assigned from the State Budget also disappeared. From now on, export must be based on the principle of profit. Only those for whom export is profitable sell their products abroad. Today, we do not make central decisions about what to sell, and for how much. Producers and traders must make a profit in export as well as in import.

Until recently, the export of natural resources was the most profitable. But the high profit was often illusory; one of the reasons was that in calculating prices, many elements of cost were not taken into consideration. For example, the costs of ecology were not considered.

For decades, coal was the fundamental source of hard currency. It was always the most profitable export. This was because the so-called mining losses were not included in the price; a portion of the costs were substantially lowered, e.g., the costs of energy or metallurgical products were simply absorbed by the mines.

In past year it did not pay to export the products of light industry, or agricultural and food products. These commodities were subsidized the most.

[Lasota] How are things now, after the introduction of changes in the system?

[Ledworowski] It turned out that in the past year the most dynamic growth was in the export of food products, metallurgical products, and products of light industry. Despite the lack of subsidies! Producers, unable to sell many of their goods on the domestic market, sought solutions in export. They sold what brought profits. This process initiated—I would like to emphasize this—very deep changes in the structure of Polish exports.

It is hard to say which products achieve the best prices and the highest profit. But I am convinced that no industry has a lock on exports anymore. In the old system, the center managed the statistical standards to evaluate the effectiveness of exports. Today the producers themselves set prices, and make decisions about exports. The State Budget has not subsidized export for convertible currencies, neither last year, nor in the first months of this year.

[Lasota] Maybe this is why some companies complain about the profitability of export, and about the high exchange rate of the dollar.

[Ledworowski] For fifteen months the exchange rate has been stable. At the beginning it was undoubtedly overrated, but this so because of our assumptions.

You are right, many company managers now complain about the decrease of profitability of export, or simply its unprofitability. But they must know—and this is important not only for people in business—that the exchange rate of the dollar to the zloty is now not formed just with an eye on the profitability of export. This is how it was in previous years.

In determining the rate of exchange, we take into consideration the state of balance of payments and the state of reserves of hard currency, as well as, for example, its influence on the price levels of raw materials and production materials, including those of imported goods. For example, a domestic clothing producer must take into account, when calculating prices for that clothing, that someone else may import more competitive products—cheaper and better made. The exchange rate of foreign currency thus directly or indirectly influences the level of all prices in the country. A devaluation can stimulate inflation. One must remember that today every change in the exchange rate means an automatic change in the prices of all imported raw materials, including oil, gas, and iron ore.

But unfortunately, input costs are still a high proportion of production costs in our country. Many exporters are not aware that devaluation of the zloty would increase the prices of most raw materials and production materials. This would restart the inflation spiral, and certainly would not bring a significant improvement in exports.

The revival of production is important to us, because the recession persists. We can break it only with a significant

decrease in the price of credits, and a decrease in the interest rate. Every growth in inflation removes these possibilities. A stable exchange rate is conducive to a decline in the inflation rate and thus the interest rate.

[Lasota] Last year we saw good results in foreign trade; this year appears to be worse.

[Ledworowski] After three months of this year, we have a negative balance of trade—about \$300 million. This comes from a unfavorable balance in exchange with the Soviet Union. We pay them for oil with dollars which the USSR does not then use to buy goods in Poland. If we exclude trade with this country, our export to Western countries increased in the first quarter of this year by about 28 percent. But our trade balance is negative precisely because of the breakdown in exports to the Soviet Union.

[Lasota] This happened very quickly and drastically. Government representatives know about it, but the process of introducing new, effective forms of cooperation with our once closest partners is very slow.

[Ledworowski] There are many simplifications in the evaluation of trade and, more broadly, cooperation with the Soviet Union and other CEMA countries. From the beginning of this year, we are employing world prices and currency in accounts with these countries. The transfer to new guidelines for trade with the Soviet Union is taking place in the context of a deep collapse of the USSR's economy, and of rising foreign debt.

Last year, we achieved—according to an accounting in rubles—a positive balance of 7.5 billion rubles in trade transactions with the USSR. That balance was in a sense automatically underwritten by our banking system. If the policy of balancing exports and imports had been undertaken last year, the breakdown of exports to our eastern neighbor would have occurred earlier. Imports from the USSR fell by 40 percent last year. We would thus have to restrain exports by at least as much. The government did not do this, because it took into account our debt to the USSR at that time: 4.5 billion rubles and \$1.5 billion. A positive balance made it possible to compensate for those debts. On the other hand, the government wanted to avoid the sudden collapse of Polish firms exporting to the East, and give them the opportunity to restructure. That choice signified acceptance of a certain rise in inflation, as a result of financing that positive balance. A solution was chosen which gave companies a break (time for changes) and which eliminated debt.

This year, the Polish side can not underwrite exports to the Soviet Union. We send only those products for which we receive payment. The problem is that the USSR has nothing to pay with, and appropriates the foreign currency receipts from the sale of oil to pay off debts to Western banks, and not for purchases in Poland or other countries. We wanted to pay for oil with goods which the Russians need, but we must pay with foreign currency. We will probably spend about \$1 billion for this oil in the course of the year. If they bought our goods with that



sum, how much greater our exports would be. Only 25-30 percent of the goods previously exported are included on the so-called indicative list, which lists the products which the Russians would like to buy. These include mainly cooperative elements, pharmaceuticals, sulphur, coal, and coke. Ships, many machines, market goods—including food—are not on the list, because the Soviet Union was unable to propose products equal in value to our exports. And, as I mentioned, the Soviet Union excluded oil. An identical situation is taking place in the USSR's trade with Czechoslovakia, Hungary, and other postsocialist countries.

[Lasota] Is this a hopeless situation?

[Ledworowski] The situation is desperate. We discussed this during Prime Minister Jan Krzysztof Bielecki's recent visit to Moscow. The Russians recognized that it was a mistake on their part to introduce market principles of trade too quickly, without a transition period—just as we had maintained from the beginning.

We proposed a quick return to the clearing system, and including in that the indicative list at least. We want both to buy and sell more. But they have neither goods nor money for payment. Discussions are continuing. I hope that we will find a solution to improve this difficult situation. I must however repeat that in the present budgetary situation, our economy simply cannot underwrite export to the USSR—particularly under conditions in which the money paid for oil does not return to us.

[Lasota] Germany, our second great neighbor, has become our greatest trade partner. Our road to Europe lies through that country.

[Ledworowski] Germany is a part of the EEC, to which we also want to belong. Half of our trade with the EEC, in fact, is with that country. In practice, then, the wider opening of the European market which we are trying for is an opening of the German market.

Negotiations with the EEC do not support the expectations of a wide opening for Polish goods on those markets, especially for agricultural-food products. It will be easiest for industrial goods, which however are not very competitive, and much more difficult for textiles and steel products.

[Lasota] It is difficult to expect an opening of Western markets for the products of the Polish agriculture-food industry, when we ourselves introduce tariffs on those items. That could provoke retaliations.

[Ledworowski] Retaliations should not take place. In calculating the level of the changed tariffs, the subsidies employed by the EEC were taken into account. We did not introduce barrier prices. The new tariffs equalize the conditions for competition between West European goods and Polish goods on our market. The prices of imported items were raised through tariffs to the level of

their actual costs of production. Since the EEC employs subsidies, we had to counteract in order to protect our agricultural production.

I would also like to say that access for those goods to our market is more liberal than for our goods to the EEC. For example, we do not set any quotas; while import concessions [to the EEC] are limited. I do not believe that there is any basis for retaliations.

In introducing new tariffs, the government tried not to violate the interests of the consumer. Despite the rise in prices of imported items, the prices of basic food items should not rise, because of their surplus on the domestic market.

[Lasota] Let's return again to the flow of trade with our western neighbor. There is no GDR anymore; what can we count on in this cooperation—besides problems?

[Ledworowski] There is no GDR, but we do count on an increase in construction services in that region, and on developing cooperation with restructured firms. We obtained an increase in the quota of permitted employment in Germany (excluding the territory of the former GDR), to 35 thousand people.

Despite what is said, big German capital has not yet reached us. Companies of the "joint venture"-type with German participation are, it is true, 35 percent of the total number, but Germany is, after all, our greatest partner, a powerful economy, and a neighbor, with whom closer contacts are always easier.

Problems? The GDR market has collapsed, and we had had developed cooperation there, for example in building wagons, ships, and machines. We bought optical equipment and printing machines. All that has broken down. But as I said, the possibilities of cooperation with the eastern German laender do exist, and will increase along with the process of rebuilding that economy.

There are also other matters to be resolved. During the prime minister's visit in Bonn, we very forcefully presented the need for a painstaking joint rebuilding and modernization of border crossings, in order to make them European crossings. We want to do this jointly, and finance it jointly. Talks have been undertaken. I hope that an international agreement outlining close cooperation between border and customs services will soon be signed. Our border is not only a border between two countries; it is also a border between Poland and the EEC.

Poland presented to the German side a proposal for joint modernization of existing border crossings, and the building of 15 new ones—road, rail, and water. We expect, that the Germans will respond to our proposal in the near future. We are and want to be active, and to take advantage of the good experience with the functioning of the EEC-German border, or the German borders with Austria or Switzerland.



[Lasota] Mr. Minister, it is hard to blame one's countrymen for eagerly taking advantage of various emerging opportunities, and bringing into the country items sought after on the market—recently automobiles, often used, for example.

[Ledworowski] Market imports grew strongly last year. One must look at that from two points of view. In the old system, market imports were of an interventionary character. When there was a shortage of butter or meat, the government quickly bought those articles. Today, however, imports fulfill other roles, including one hitherto unknown in this country, namely competitive pressure on producers, often on those which are monopolies. Of course, it is necessary to take care that conditions exist—we spoke of this in regards to tariffs—so that domestic industries can be equal to that competition, while at the same time they undergo restructuring and modernize their production.

That is just what tariff instruments are for. Work on a new tariff system continues. The government should adopt it in May. It will be the basis of our negotiations with the EEC, the EFTA [European Free Trade Association], and GATT [General Agreement on Tariffs and Trade], and will take effect most likely beginning in the new year.

As far as the automobiles brought into the country are concerned: here also there are many different interests. Industry would like customs duties to rise; the Antimonopoly Office would like them to be removed.

Prospective foreign investors are for protection of their products during a first phase, before they begin full-scale production. All these elements must be taken into account in setting customs duties.

And used automobiles? This also is not so simple, if one compares a four-year-old Western automobile with ours, even if new, when [our] production technology has not changed in years.

[Lasota] Not only military people are interested in the equipping of our army. Are you, Mr. Minister, satisfied with the flow of trade in this area? Maybe in this case it would be worthwhile to move toward a value balance of exports and imports.

[Ledworowski] Poland has always exported more armaments than it has imported—mainly to the former socialist countries, but also, above all, to the Near East. For several years, arms exports have fallen, for political reasons. When the army is being reduced, it is difficult to talk about the sale of arms; often there is the problem of what to do with the old weaponry. But despite the decline in exports, we have a positive balance in this sector—even in trade with the Soviet Union.

Let's not have any illusions. The lessening of tensions has resulted in the collapse of the world arms market. Nor does anything augur a revival. If at all, the revival will be in arms with the highest technology. Our defense

policy is changing. Equipment purchases, and tendencies in this area, will ensue from that. This policy will also define the needs for restructuring defense industry plants, and the export capabilities of those plants.

A country of our size should have some self-sufficiency in arms production, and exports should earn money for necessary purchases of equipment the production of which our industry does not specialize in.

We observe a systematic decline in special transactions in our foreign trade. As a citizen of the world I am happy that the arms trade is declining. That is the result of peace. But I am aware that for many who have heretofore produced and exported arms, making great profits, this is a very difficult situation, requiring the restructuring of production, and often its conversion to civilian objectives.

[Lasota] Mr. Minister, thank you for your comments.

### **Commentary on National Enterprise Transformation**

*91EP0526A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 23 May 91 p III*

[Article by Marek Dabrowski: "Wrong Direction"]

[Text] More and more is being said recently about the need for an active microeconomic (or restructuring) policy. At a conference of economists in the Belvedere Palace on 17-18 May, many economists, representing various political and planning options, postulated a cautious procedure in regard to macroeconomic policy (i.e., adherence to the rules of a stable money policy and a relatively balanced budget), and also, a more active microeconomic policy.

I tend to agree with the above conclusion as it is generally formulated. But the problem begins when we try to concretize it. If it is to mean a set of measures which would expand the range of economic freedoms of state and private enterprises, and thus their chances of adjusting to new conditions (e.g., liberalization of the labor market), then this is a direction of reasoning which supports the transformation of the Polish economy to a market economy. But such an interpretation of microeconomic policy is rare. For the most part, we meet with demands that the government make microeconomic decisions directly. Furthermore, such a tendency appears not only in the programs which oppose the government, emphasizing the need for state intervention or an industrial policy (which most often comes down to a "warm-over" of old planning practices and manual control), but it also appears increasingly in the actions of the government itself.

This last reflection was prompted particularly by the draft amendment to the Law on State Enterprises and on the Law on the Financial Management of State Enterprises, presented in its first reading during the course of the last session of the Sejm.

The bill, as its title indicates, is made up basically of two parts: an amendment to the Law on State Enterprises and an amendment to the Law on the Financial Management of State Enterprises.

The proposed text of the amendment to the Law on the Financial Management of State Enterprises raises no special doubts. It appears to be the logical consequence of changes in other regulations, such as the budget law, the municipalization of state property, reprivatization, the purchase of buildings and premises on the basis of the land-use management law and the expropriation of real estate, and it is also the result of the need to put things in order.

The amendment to the Law on State Enterprises is something else. I do not deny that there are negative aspects in regard to the transfer of state assets to the private sector (the "black privatization"), which has served as the principal motive for justifying the draft. Nevertheless, the proposed solution does not appear to be the correct therapy and may in effect, make things worse than they now are.

First of all, it indicates an important decrease in the range of a state enterprise's economic independence on matters dealing with the management of material assets. Even the leasing of a small machine will require the permission of the founding organ. This can seriously paralyze the indispensable adjustment processes in state enterprises and in addition, make their operations less flexible. A month's delay (because that is how much time the founding organ will have to take a position on a specific transaction) in making a decision may mean measurable losses or even the loss of an opportunity to enter into a favorable contract.

Second, this is another sign of discrimination against state enterprises over other forms of economic organizations.

Third, the solution proposed in the draft amendment does not solve the problem of motivating the enterprise management and its workforce to make rational economic decisions. A director who acts to the detriment of the enterprise due to gross incompetence or private interest, has scores of other possibilities open to him, such as the sale of a superfluous durable asset at an undervalued price, leaving a property unused, entering into current transactions which are not good for the enterprise, etc. Administrative discipline will not replace effective economic incentives!

Fourth, the proposed amendments are a sign of the traditional thinking, carried over from the previous system, about ownership in material and not financial terms. In actuality, what happens to this or that building, or this or that machine, is not important. What is important is whether the enterprise's capital (i.e., the enterprise fund plus the initial founding fund) becomes larger or smaller, and what rate of profit this capital brings.

Fifth, there is no proof that an official employed in the founding organ will have better information or greater motivation to make the right decision than the enterprise organ. On the contrary, it can be expected that favorable decisions will be blocked and that the founding organ will avoid making a decision for which it may be held responsible.

Sixth, taken as a whole, the regulations will again strengthen the founding organs. Together with the next amendment to the Law on State Enterprises, already reported by the government, which will restore to the founding organs the right to appoint and dismiss a director, this essentially signifies a recentralization of management in the state sector and a restoration of the traditional ministry agreements. This is a very dangerous trend and if it were to continue in the future it could derail the whole market transformation of the Polish economy. There can be no competitive market if the larger part of the economy is under a centralized state concern.

#### Statistics for Grain, Livestock Production

91EP0536D Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
20 May 91 p 1

[Article by Edmund Szot: "The Granaries and Pigsties Full"]

[Text] Agriculture is getting ready for the new harvest. In some places it has already begun. Rye is being mowed for green forage and any day the gathering of the first hay will begin. But plant vegetation is far behind, due to the cold weather which has continued for over a month. The farmers are not yet worried about the consequences of this because they are having worse trouble with getting rid of what has already been produced.

Grain procurement is so small as present as to be merely symbolic. It hardly exceeds a thousand tons a day. The supply of grain would be greater if the State Grain Elevators were interested in buying, but grain stocks in warehouses amount to 2 million tons, including 1.1 million tons of wheat. The quality of the stored grain is steadily falling. It is being attacked by pests and in some warehouses the fermentation process has begun.

In order to meet the demands of the farmers, the Agency for Agricultural Marketing [ARR] began the intervention procurement of grain, paying 40,000 zlotys [Z] for 1 quintal of rye and Z70,000 for 1 quintal of wheat. Grain is also being exported to the Soviet Union. Hogs have also been included in intervention procurement. The ARR is offering farmers Z7,800 zlotys per kilogram, i.e., more than certain meat plants are paying. But the average purchase price of pork slaughter animals is still slightly higher than that offered by the ARR, amounting to Z8,000.

At this point we should mention what the procurement prices on pork slaughter animals were this year. They

were highest late in January—Z11,100. At the beginning of the year, Z10,200 per kilogram was paid. The movement in procurement prices on beef slaughter livestock was much less. From Z6,300 at the beginning of the year to Z7,000 at the end of January, and Z6,100 per kilogram at present. However, milk procurement prices rose. At the beginning of the year, Z1,022 was paid for 1 liter. The highest price was obtained at the end of April—Z1,186, and the present procurement price is Z1,150 zlotys per liter.

These price movements could have been predicted. Their relationships previously were greatly unbalanced in favor of pork slaughter animals. But farmers react far too vehemently when prices on pork livestock drop. In Zamosc Voivodship a couple of piglets can be bought for Z300,000. Such a drastic price drop says not so much about the procurement price of pork slaughter animals, which is rationally justified, as it says about the problems there are in selling them. The meat plants are reducing procurement in various ways. They refuse to buy sows, put weight limits on porkers, decide to repair their slaughter lines, etc.

Although unsold grain does not make much difference to a farmer, an unsold porker causes no end of trouble on a farm. It has to be fed and the heavier it is, the less attractive it is to a buyer. It means a loss in feed, time, labor, and also money. Those are the results of the "improvement" in demand—no attempt is made to stimulate this demand by reducing the selling price of meat and cured meats, proportionally to the reduction in the procurement price.

Milk procurement rose approximately 20 percent. This is a natural seasonal increase in deliveries. But the dairy cooperatives have trouble selling their products. That is why some District Dairy Cooperatives (e.g., in Jedrze-jow, Ostrowiec Swietokrzyski, Stalowa Wola) are buying milk only from coop members. Others are behind in payments, and the now unprofitable production of butter is being reduced.

But prices of means of production are growing faster than procurement prices and faster than the vegetation in the field. These are fertilizers, tractors, and farm machines. Only the prices of feed have stopped going up.

Having experienced the "blessings" of overproduction, the food industry is reducing its contracts with farmers. First of all, it is not doing business with those suppliers who produce little and expensively. Up to 11 May, an agreement has been signed for deliveries of beets from 343,200 hectares (last year they were grown on 440,000 hectares). Often the producers themselves stop growing sugar beets. This includes sugar factories in Ropczyce (Rzeszow), Swiecie (Bydgoszcz), Dobrzelin (Plock), and Krasnystaw (Lublin). Out of 78 sugar factories, contracting with farmers for sugar beets has already been completed in 33 of them.

### Experimentation With Dutch Agricultural Methods

91EP0526D Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
15 May 91 p 1

[Article by Edmund Szot: "Technologies and Capital for Polish Farmers"]

[Text] Polish agricultural-farm exports to the Netherlands constitute over 50 percent of our exports to that country and the import of agricultural-farm commodities is half of our imports from the Netherlands. The Netherlands is our third [largest] partner in agricultural trade (after the FRG and Great Britain). These figures reflect the importance of the present visit to Poland of Piter Bukman, minister of agriculture, environmental protection, and fisheries.

At a press conference at which Adam Tanski, minister of agriculture and food economy, was also present, it was reported that the Netherlands would continue the so-called Lomza experiment (in the Turosl gmina), in our country. The experiment consists of applying Dutch methods of milk production and processing. Furthermore, the Dutch have agreed to participate in the development of our Zulawy and will also share their experience in organizing a fruit-and-vegetable commodity exchange.

Minister Bukman, who has a way of answering even the most simple question with extreme thoroughness, was received by President Walesa, with whom he talked about the prospects of Poland's cooperation with the Netherlands and the EEC. He explained that in Central and Eastern Europe, the most important partner for the Netherlands and the EEC is precisely Poland.

The symbol of the intensification of Dutch-Polish relations in agriculture will be the financing, by the Dutch, of a study of the profitability of potato processing. They are the world leader in this field.

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Immediately after the meeting with Minister Bukman, Mieczyslaw Stelmach, deputy minister of agriculture and food economy, held a press conference at which he related the results of his Washington talks with representatives of the World Bank. Our correspondent, Zofia Krajewska, has already described them briefly in RZECZPOSPOLITA.

Let us remind you, however, that the World Bank granted the Polish government a loan amounting to \$100 million to make changes in the rural cooperatives. This money will be earmarked for improvements in the operations of cooperative banks, supply and sales cooperatives, the dairy cooperatives, and fruit-and-vegetable cooperatives. The credit will be repaid over 17 years (with a five-year grace period), except that the creditors will repay it to the banks within a period of two to 12 years.

Work on setting up the next line of credit, for the sum of \$175-250 million, has been underway for the last six months. This money is designated for the privatization of agriculture, the creation of a farm market institution, and also for the development of infrastructure in the countryside. If the use of both these credits improves the efficiency of agriculture, it is possible that after a year and one-half, another line of credit for \$200 million can be set up.

Overall, during a three-year period, Polish agriculture may receive half a billion dollars. The apparent willingness to help Poland stems from the credibility of the program, approved by the government, to reform the economy.

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The third international feature of this day was a brief report on the visit of representatives of Polish agriculture in Israel. They became acquainted with that country's excellent achievements in animal production and water conservation methods in greenhouse production, as well as techniques used in agricultural-food processing. Cooperation of both countries in marketing was agreed upon, including the promotion of Polish agricultural-farm commodities on the Israeli market.

#### Polish Exporters to USSR on Fall in Trade

91EP0536B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW SUPPLEMENT)* in Polish 20 May 91 p II

[Article by Ada Kostrz-Kostecka with commentary by K.B.: "Lack of Imagination"]

[Text] They have one thing in common: In the past they were large or very large exporters to the Soviet Union and possibly to other nonconvertible currency countries. Now they have troubles in connection with this. In the opinion of the Ministry of Industry, of the 10 most threatened enterprises, these four face liquidation.

And what do they themselves think about this?

FAMABA Construction Machines Factory submitted an application for liquidation just a couple of days ago and is now awaiting the arrival of the representative of the Agency for the Development of Industry and an appraisal of its assets. As late as last year it recorded a 20-plus percent increase in production and 20 billion zlotys [Z] in profits.

Of course, FAMABA did not hold a record in exports. Last year it sold 47.4 percent of its production to the nonconvertible currency countries, primarily to Romania and Czechoslovakia, therefore the Soviet Union was not in first place. And yet trade with the Soviet partners did the most harm, and not just the direct trade. The factory produces arms for construction cranes, 25-ton and 40-ton, assembled by Fablok (in Chrzanow) and the Mechanical Equipment Works (in Labedy), supplied to the Soviet Union. These were

intergovernmental contracts and FAMABA was expanded 15 years ago with these contracts in mind. The second stage of expansion, according to Jan Manikowski, deputy director for economic and financial affairs, fortunately became stalled during the design stage and while financial matters were being coordinated.

The production is extremely materials-intensive: To make products worth Z1 billion, the factory must lay out Z600-Z700 million for raw materials and other supplies. It takes as much as 90 days to build a crane and the credits are short-term. At the end of April, there was not even enough money to pay the dividend. The bank terminated the credit.

Director Manikowski says that they have no choice but to liquidate the plant. In its place they want to form a company with a manufacturing capacity of less than half. There will be much less final production in the company and more services and coproduction.

METALCHEM Chemical Automation Plants in Gliwice last year sold 60 percent of its production for transferable rubles. "We do not intend to apply for liquidation," they say in the enterprise. "We are looking for new sales markets in the East and in the West. We are struggling to improve the enterprise's internal situation and there is a chance that we will survive."

WADAP Production-Experimental Casting Apparatus Enterprise in Wadowice did not apply for liquidation either. The parent agency decided this when the enterprise reported that it was ending the first quarter with a loss. But Aleksander Sarapata, head of the plant's Solidarity [union], admits that the firm cannot justify its existence.

Last year, 75 percent of the production was sold for transferable rubles, mainly to the Soviet Union. In the years before that it was still more, even 90 percent. For over 20 years, a control apparatus to measure the mass of moulding sand for foundries was produced. There are no sales prospects now. The products are needed, but the buyers, both Soviet and Polish, do not have money. Right now the factory is still living off last year's profits.

The firm, which has old machines but a new (two-year old) building, recently tried to find a partner with whom to produce something different. But it could not find anyone with money. Therefore, according to the union, there remains only liquidation. But they do not know yet whether to sell off all of their assets or to form a company.

The last in this group, the Krakow TELPOD Electronics Plants, also ended the first quarter with a loss and lost their credit rating. They want to liquidate, forming small companies in certain production departments, and sell the rest to pay off debts.

The Soviet partner also "helped" the factory. Even last year, production grew and reached a value of Z200

billion. But at that time this was still the large Unitra-Telpod enterprise, which last March split into three independent units. The largest of them, the present TELPOD, assumed all of the previous obligations.

January of this year was still good. But the production of paper power capacitors supplied to the USSR quickly stopped. Then began the troubles with selling the rest of the production (resistors and potentiometers used in various electronics equipment in telecommunications, measurement devices, etc.) both abroad and in our country, because our electronics industry is ailing, too.

Jerzy Slaby, assistant director for engineering, believes that the situation will change, but maybe not for a couple of months. In the first quarter of this year, production fell to one-third of what it was a year ago. It will be even worse in the second quarter. With the help of an English partner, TELPOD installed a new European quality control system. Now the firm urgently needs someone to invest Z10-Z20 billion in a new production line and then someone to buy the products.

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In the first four months of this year, exports in transferable rubles shrunk to one-fifth of last year's amount. This the consequence of the change to convertible currencies in trade exchange with the countries which were formerly socialist. This change, although it had been announced many months earlier, surprised a lot of producers who are now futilely looking for buyers for something which no one wants to buy for real money. Maybe they did not believe that export for rubles had ended. The above example of four factories may be extreme, but still it is quite characteristic. None of the persons quoted has presented even a single idea on how to radically change their situation.

### Construction Down; Private Firms Increasing

91EP0526B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 15 May 91 p IV

[Article by M.Sz.: "Construction: Lower Production, Higher Profitability"]

[Text] Basic production in construction-assembly enterprises in the first quarter of this year, in comparable worktime, was 14 percent lower than in the same period last year. Just as last year, production in specialty construction dropped the most, 25.3 percent. Production in production-service construction enterprises was approximately 15 percent lower than the previous year, and general construction was 7.6 percent lower. The production drop was accompanied by only a 5.7 percent drop in employment.

However, private construction firms did better this year. Their production in the first quarter was higher than last year. The share of private firms in the execution of construction-assembly jobs is also growing larger. In the first three months of last year it amounted to 34.3

percent, and this year it was already 40.8 percent (calculated in current prices). The number of private commercial companies engaged in construction is growing. However, the number of state construction enterprises dropped by 15.

The structure of construction production is changing according to the economic character of the jobs. The size of investment jobs has decreased 24.9 percent compared to the first quarter of last year, and repair jobs (houses, public utility buildings, and commercial buildings), decreased 8.6 percent.

According to figures for January and February, construction-assembly enterprises employing more than 50 people are more profitable (16.5 percent) than other firms in the materials production field (9.2 percent). The so-called lucrativeness, calculated as net financial return per 1,000 zlotys of income, is also higher. It amounts to 45 zlotys for construction firms and 12 zlotys for others. It is interesting that the production-service and special production enterprises show the highest profitability and lucrativeness. That is, those in which there was the largest drop in production. In general in the construction enterprises, lucrativeness was only 8 zlotys per 1,000 zlotys of income, mainly due to a lower price indicator and a higher dividend liability.

The Central Planning Office believes that when a construction-assembly enterprise obtains high profitability with a large drop in basic production, this is due partly to the fact that these enterprises are adjusting to a lower demand for construction jobs and are undertaking more profitable work, e.g., in trade, production of construction materials, and leasing of premises and equipment.

The share of income from these activities in total income grew, calculating in current prices, from 20.8 percent in the first quarter of last year, to 24.6 percent in the first quarter of this year.

The main reason for the regress in construction-assembly production was lower investment demand by state enterprises, the State Budget, and the populace.

Taking into account all of the economic preconditions and the present trends in average daily production which will "carry over" to the succeeding months of the year, the Central Planning Office estimates that the amount of construction-assembly work performed this year by enterprises which belong to the construction sector, will be 15.2 percent less than in 1990 (calculated in last year's fixed prices).

### Fall in Demand Forces Cotton Plant To Privatize

91EP0526E Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 15 May 91 p IV

[Article by Marian Strzelecki: "Will They Make It Before the Competition Begins?"]

[Text] The Rena-Kord Cotton Industry Plants were transformed into a State Treasury one-person company on 1 March, i.e., they were privatized.

The enterprise's worsening economic situation hastened the submission of an application for privatization. The Rena-Kord Plants (formerly Sz. Harnama) were very profitable until 1989. Over 20 million linear meters of fabric a year were produced there. Velvet, twill and denim, used for garments, were eagerly bought by well-known garment firms which have for years been exporting a large part of their products. In this way, almost 40 percent of the fabrics bearing the Rena-Kord label, already in the forms of finished garments, were sold in Canada, the United States, Switzerland, Sweden, and other Western countries.

At present the garment industry is using fabrics produced in Polish factories to only a small degree. It is sewing ready-to-wear goods mostly out of materials supplied to them by Western contractors. The reduction in demand for domestic fabrics was also responsible for a 50 percent drop in production at Rena-Kord, as compared with 1989.

Now the main purchasers of fabrics are numerous, but they consist of small enterprises, craftsmen, private companies and the Modar clothing firm in Radom. Taken altogether, the factory is selling approximately 60 percent of its fabric on the domestic market. It is exporting the remainder to Western countries, including France, the Netherlands, the United States, and Italy. This form of export is developing and is on the rise due to the recent modernization of a large part of the weaving mill and finishing shop. Nevertheless, scarcely 50 percent of the existing machines are being used.

Ceba, in Czestochowa, and Rena-Kord, in Lodz, produced a total of almost 8 million linear meters of twill last year. But according to unofficial statistics, in the same year over 60 million linear meters of the same material were imported (duty free and tax free). That, in the opinion of Tadeusz Michlewski, president of the Rena-Kord Company, hastened the collapse of sales of domestic garment fabrics. The fact that our eastern border was "sealed", which meant that even the twill which was supposed to go to the Soviet Union in transit through our country was stopped, also played a large part.

The new situation forced the plant management to seek other structural, organizational, and technological solutions. The first to be applied were those which do not require financial outlays. Employment was reduced from 2,000 (in 1989) to 1,200 (at this time), including a 40 percent reduction in administration. Large reductions were made in social benefits (including summer camps, winter shelters, nurseries), but the prospering plant club and the world-renown song and dance ensemble, whose founder and spiritual head throughout the years was Jadwiga Hryniewiecka, were allowed to remain.

In addition, a plan was prepared to set up, in the future, the factory's own sewing floor (to sew trousers), so that it can also sell finished garments and thus greatly reduce its dependence on ready-to-wear firms.

The transformation of the factory into a one-person State Treasury company has already reduced the financial burden to the State Budget. The dividend cost 350 million zlotys a month, which in terms of raw material is 20 tons of cotton.

A marketing unit was been formed in the plant whose aim is to create a situation in which exports and imports will be serviced independently. A well-prepared production staff and the plants own attractive designs may make it possible to overcome the crisis.

The obtainment of new foreign sales markets will strengthen this possibility. It is through an increase in exports that the use of machines will increase, bringing about a growth in productivity and thus a reduction in production costs. Attainment of these goals will make it possible to further modernize the factory and obtain better quality, which will make the products competitive in export.

But restructuring and modernization requires quick and effective measures, for the reason also that the existence of competition in the production of twill in Lodz is becoming real.

#### **Financial Problems of Mielec Aviation Plant**

91EP0536C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
18-19 May 91 p II

[Article by Krzysztof Szczesniak: "Mielec on the Verge of Bankruptcy?"]

[Text] "Financially, we have reached bottom and the plant is on the verge of bankruptcy," Jan Szymanski, director of the Polish Aviation Plant in Mielec, announced on Friday, 17 May.

At a hurriedly called press conference, the journalists were also given a copy of the letter sent to the Ministry of Industry. In this letter (signed by all members of the plant management) the management states that it has exhausted all of the courses of action contained in the economic system created on 1 January of last year. The further existence of the enterprise, therefore, depends on decisions made outside this system, i.e., decisions which must be made on the government level.

The conditions which must exist in order to save the plant are outlined in the following five points. First, the transformation of the entire plant into a single-person State Treasury company. Second, a 50-percent reduction in employment, meaning approximately 8,500 workers, but the severance costs for the employees dismissed should be borne by the parent organ. Third, the granting of a credit, at a world-standard interest rate, i.e., eight to

12 percent, for the production of aircraft shipped to the USSR (\$9.8 million) and a decision as to further shipments of aircraft to the USSR in compliance with signed contracts (approximately \$9.7 million). If the decision is favorable, the granting of credit for these sales [should be made].

Fourth, the granting of dollar restructuring credit enabling the production and development of products for which profitable contracts have been or will be signed. On this list are: the Iryda I-22 combat-training plane for the army; the Dromader agricultural plane; the Mewa and Socata light aircraft, coproductions with the Western aviation companies Alenia and McDonnell Douglas; the special version of the AN-28 aircraft, a coproduction in the manufacture of the IL-96 and IL-86 aircraft; and Melex trucks.

In the fifth point, Mielec demands a rescheduling of the debt to suppliers in connection with the obligations of domestic buyers, which amount to approximately 300 billion zlotys. There is also an ultimatum: If, by 24 May, a negative reply or no reply at all is received, the present management of the enterprise will resign.

At the moment all of this was announced to the press, news came from the compression-ignition motor department, which is earmarked for liquidation, that flags have been hung on the building and that a protest campaign has begun. The plant's Solidarity [union] believes that the director once more is attempting to shift responsibility to the government and that the five-point restructuring program is really only another example of the irresponsible toying with the fate of the enterprise and the several thousand people working in it. On the other hand, a public announcement of the enterprise's bankruptcy will certainly reduce the plant's credibility in the eyes of foreign firms.

The unions are blaming the director for failing to execute many profitable contracts and for the poor work of the commercial services, for quarreling with the Research and Development Center, and for improper use of restructuring credit.

So much for facts. Without a doubt, inspectors from the Supreme Chamber of Control should be sent immediately to the Mielec plant, and on the other hand, drastic personnel decisions should be made. A board of commissioners should be appointed and an attempt made to save the plant. The director is insisting that the factory should not be chopped up, but this is impossible. This enterprise must be divided into smaller, self-dependent and self-financing factories.

The Polish aviation industry has a long history and a large potential of people who are enthusiastic about aviation, people who are ready to carry the burden of changes if there are prospects that the industry will develop. Furthermore, if Mielec were to go bankrupt, three-fourths of the people in the town would lose their jobs. It is for this reason, too, that the plant should be saved, at any price, but let us not delude ourselves that

the government will suddenly find some money and give it to Mielec. Someone called the present director the Herostratos of the Polish aviation industry. May this not come true.

### Activities of Silesian Bank Profiled

91EP0536A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 20 May 91 p III

[Interview with Marian Rajczyk, chairman of the Silesian Bank, by Barbara Cieszewska; place and date not given: "Reins on Credits"]

[Text] [Cieszewska] Recently we have been hearing more and more that the banks are becoming more powerful, that they are getting rich and we are getting poorer.

[Rajczyk] It is true that banks are getting more powerful. That is a natural process and that is how it should be. A bank which does not have its own capital is not reckoned with anywhere in the world, or in our country either. At the time the Silesian Bank was established, which was on 1 February 1989, we had 36 million zlotys [Z] in capital. It was fortunate that during the last two years the bank earned a large profit. It has allocated 80 percent of this profit to enlarge its own reserves which, on the one hand, are a source for granting credits, and on the other hand, constitute security for its clients.

The very large profits that the bank showed in January of last year are a thing of the past. They are now much smaller, and due to the anticipated drop in the interest rate, they are steadily shrinking. I am afraid that many banks will go bankrupt when the interest rate drops to the several-percent range.

[Cieszewska] How much profit did the bank make?

[Rajczyk] The indicator showed 90 percent, but it is very imperfect. Other banks had much higher profits, even more than 200 percent.

[Cieszewska] What, then, attests to the Silesian Bank's strength?

[Rajczyk] Its own capital, somewhat over Z1.6 trillion, but we are not allowed to use it. Our strength lies in the steadily growing deposits of our clients and, I believe, our good reputation.

[Cieszewska] Does the bank intend to assist in the restructuring of Silesian industry?

[Rajczyk] Here we have to clearly separate two aspects of this matter. The determination as to which branches should be developed and which are not essential is the task of the economic authorities. We know that work is being done on this, but we do not yet know the results. The second aspect—let us call it efficiency restructuring—means giving assistance to those enterprises which show good results and refusing to grant credits to those which show poor results.

[Cieszewska] But you are still keeping alive even those which are potential bankruptcies.

[Rajczyk] I think we have done considerable client "restructuring." Initially we had 851 enterprises to whom we gave credits. These were only state and cooperative firms. In the two years of its existence, the bank has refused to give credit to 200 enterprises. We gave credit to 81 new state and cooperative enterprises and, in addition to 3,900 private firms.

[Cieszewska] Were there also some large plants in this group?

[Rajczyk] There were. Even very large plants, but smaller ones also. It turned out that most of the enterprises which we rejected immediately obtained credit at other banks.

[Cieszewska] Has any enterprise which you rejected gone into bankruptcy?

[Rajczyk] One, a small one.

[Cieszewska] Therefore, the selection performed by the bank is not working. Why?

[Rajczyk] It is not working due to the huge payments holdup. And there is a great deal of misunderstanding in regard to this. Some people understand holdup to mean slow settlement of accounts. But I see this as something different. Many enterprises have enormous obligations to their contracting parties, and they also have money owed to them, although that is usually smaller. Because no one knows what anyone has or how much is owed to anyone, everyone functions somehow. They eat up their assets and go into debt with their contracting parties, and that is how it goes. Therefore, if the ability to improve one's own financial condition by not paying contracting parties—and thus creating these holdups—is not eliminated, financial instruments will not function.

[Cieszewska] And how do you, as a banker, feel about the criticism of the credit policy? The continually expensive credits are also the cause of the recession.

[Rajczyk] I would reply that there should be even more credit granted, because the economy cannot be restructured and modernized without capital.

[Cieszewska] In other words, the demands for more credits, in your opinion, are justified?

[Rajczyk] They make some sense. Reductions in the size of bank credits are far-reaching and, at the same time, this automatically increases the holdup in accounts settlement. This is best shown by the figures. Right now there is more or less the same amount of bank credit as there is money tied up in the payments holdup. Even more, I would hazard to say. And the sum is frightening—about Z150 trillion.

[Cieszewska] Are we approaching a commodity economy, therefore?

[Rajczyk] It can be taken as such. Others are calling this a commodity credit. But this is a degenerated uncontrolled credit. Under normal circumstances, those firms are selected to whom granting of credit is worthwhile. Repayment terms, interest rate, etc., are defined. When payments are held up, none of these elements is present. A client is not selected, no one knows when the credit will be repaid.

[Cieszewska] But where is the money for additional credits supposed to come from?

[Rajczyk] After all, the banks have available financial reserves. Compulsory financial reserves are now at a level unseen in any nonbanking system. Reserves in the West total three to five percent. In our country, as much as 30 percent is required.

[Cieszewska] Is this being too cautious, in your opinion?

[Rajczyk] This is not caution. It is the desire to make it impossible for banks to create additional credits.

[Cieszewska] In other words, this is not a problem of lack of money, but a question of letting up on the reins.

[Rajczyk] Exactly. We are hoping that this will change, because the entire banking system is ceasing to be interested in making its operations more efficient, in obtaining clients and deposits. This has very far-reaching effects. A permissible credit ceiling was determined in consultation with the International Monetary Fund.

If this limitation were not so severe, our bank could also obtain many more credits abroad. And more credits are an incentive for economic development, if, of course, the bank chooses the right clients.

### **Rural Population Decreases; Migrations Continue**

91EP0526C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
15 May 91 p II

[Article by Malgorzata Szyszlo: "Migration in One Direction"]

[Text] The migration of the population from the countryside to the cities in certain areas, which has been going on for many years and was particularly heavy in the 1970's, has caused such large distortions in demographics that even if the reasons for the migration are removed, the problem of depopulated areas will not disappear. The far-advanced process of the aging of the countryside and the disproportions between the number of women and men, are more threatening than the numerical loss of the population itself—said Karol Szwarc, secretary of state in the Central Planning Office, as he opened the 14 May meeting of the State Council for Land Use Management.

"Between 1946-89, the population in Poland grew by 14 million," said Prof. Andrzej Stasiak. The urban population increased 15.7 percent, but the rural population



dropped by 1.7 million. Sociological studies have shown that it is primarily the young people, with a higher than primary education, who are fleeing the countryside. In describing the results of the study, Prof. Włodzimierz Mirowski stressed that ownership of a home is a factor which decidedly increases stability in the rural areas. There is also a positive correlation between the size of the farm and the extent of its technical equipment, and the reasons for living in the countryside.

The migration of the rural population should be examined not only in terms of the size of farm production, but also in terms of the need to spend much more money on social welfare—it was said. For example, in some villages in Białystok Voivodship, 30 percent of the people are above 60 years of age. Not all regions are affected by migration from rural areas. The largest migration is in the northeastern and central parts of the country.

“Depopulation of the countryside is also occurring in the lands located between ethnic Russia on the east, unified Germany on the west, the Baltic on the north, and the Black Sea and the Adriatic on the south,” said Prof. Piotr Eberhardt. “For example, in the Belorussia area, during 1987-90, the rural population was 43.4 percent lower than it was in 1950.”

In recent years, the migration from the countryside has been somewhat lower. This is attributed to the economic recession, unemployment, and the limited development of housing construction. But it does not seem that a general slowdown of the flight from the countryside would be of great significance to the depopulated regions without an active state policy.

One of the elements of this policy may be, for example, to direct more foreign assistance to selected regions, especially for the expansion of a socioeconomic infrastructure. It may also be possible to develop small private enterprises.

### **PNL Against Ratification of Treaty With USSR**

*AU2706200391 Bucharest ROMPRES in English  
1740 GMT 26 Jun 91*

[Text] Bucharest ROMPRES, 26/6/1991—A release from the press office of the National Liberal Party [PNL] announces that Radu Campeanu, chairman of the party and vice-president of the Senate, outlined in Tecuci, in talks with local Liberal representatives, the PNL stand on the Romanian-Soviet Treaty. He stressed that the Liberals in the Parliament would vote against it, if the treaty would be submitted for ratification, since it seriously harmed Romania's interests.

### **King Michael Urges Opposition To Unite**

*91BA0827A Bucharest DREPTATEA in Romanian  
4 Jun 91 p 1*

[Interview with King Michael by Paris correspondent D. Aftalion; place and date not given: "The Arduous Path to Freedom and Democracy"]

[Text] [Aftalion] Your Majesty, you have recently visited the United States. In the present situation, when the United States is the only big power left, in the wake of the talks you had there, what is its position concerning the political and economic situation in our country? Do you think, for example, that Romania will be awarded most-favored-nation [MFN] status in the near future?

[Michael] I cannot give you an immediate answer about the MFN status because I don't know how the situation will develop. But I can tell you that the atmosphere in the United States is completely different from what it was two years ago, when no one was interested in anything I had to say about the situation in the country. I was often asked: What can the United States do for Romania? To which I always said: Help Romania! Indeed, but certain essential conditions do have to be fulfilled, for example:

Full respect for human rights; an absolutely clear indication of the path chosen toward democracy; freedom of expression and freedom of the press.

It is my impression that by now they have understood this, and even if in the end the United States does give Romania MFN status, I sincerely hope and I want to strongly state that this status must be preceded by the fulfillment of those preconditions.

As for the freedom of information, I think that Romanian Television is not independent and I want to take this occasion to insist that a private television station, independent of the regime, must be established in the country.

[Aftalion] Your Majesty, our Eastern neighbor is in a disastrous political, social, and economic situation. Nevertheless, it seems that the West is supporting Gorbachev; yesterday, even Mr. Prymakov was received at the White House where he went to ask for aid. In this context, what do you think of the new treaty signed by

Romania's president in Moscow and what is your view on the issues of Bessarabia and Northern Bukovina?

[Michael] I was frankly very surprised about that treaty and I very much hope that it does not mean that Bessarabia has been abandoned.

I always stated that I, personally, and every serious person in the country view Bessarabia and Bukovina as Romanian soil; I have said as much to some people from Bessarabia who came to see me, and I think they have understood.

[Aftalion] Your Majesty, you recently examined the political and economic situation in Romania. In the context, we would like to know what role you attribute to the opposition parties and forces, particularly to the National Peasant Christian Democratic Party and its chairman, Mr. Corneliu Coposu?

[Michael] First of all, I would like to say that it is my firm opinion that all the opposition groups should make a common front and be as closely united as possible. According to everything I have heard so far, all those groups, especially the party whose chairman is Mr. Coposu, whom I actually know personally, are struggling with all their might for freedom and democracy. I hope that this struggle will continue with increasing strength and I wish all of them success in this respect.

[Aftalion] Sire, Your Majesty and Her Highness Princess Margareta initiated the establishment of a foundation whose purpose is to help Romania on its arduous path toward freedom and democracy. What resources does this foundation have and how do you think it can contribute to the rebirth of the Romanian traditions?

[Michael] First of all, I would like to recall that our foundation was officially registered in Bucharest a few days ago. That is a great progress and something for which we have been waiting for months. Our resources are of course still rather limited, and unfortunately the financial aspect is of paramount importance. But goodwill and deep concern for the country's interests will help the foundation fulfill its mission as soon and as well as possible.

[Aftalion] Your Majesty, before concluding, what message would you like to convey to the peasants, workers, intellectuals, and young people in Romania?

[Michael] That is such a vast question! Our peasants are the backbone of the country and my idea is based on the 1923 Constitution in which private property and land ownership was guaranteed by law.

That has to be entirely restored! At the same time, I think a lot about Romania's workers, because they are now in a very difficult situation. Some enterprises are doing somewhat better, while others are downright bankrupt. The fear of what tomorrow may bring and the fear of unemployment are legitimate, but real privatization does not mean, as people have been trying to tell them, that they have to lose their jobs. There is so much to do

in our country in the coming years! I am convinced that a recycling of various categories of professions may be one of the valid solutions to adopt. People in general must be treated with great attention and kindness.

As for the issue of the young people, together with whom we must rebuild Romania and among whom are its future leaders, it is extremely painful to me to see them leaving their homeland by the hundreds and thousands. While I fully understand what brought them to this situation, I must also say that we have a great need for them in the country.

Aside from these categories I mentioned, I particularly want to assert my profound attachment to the Army, to Romania's soldiers, with whom I have always had very close ties; I did my military service among our men and I would like to tell them that I often think of them and wish them all the best.

[Aftalion] Your Majesty, on behalf of our newspaper we thank you for your time and for this interview, which we are convinced our readers will peruse with interest.

**Magureanu's Explanation of Berevoiesti Analyzed**  
*91BA0827C Bucharest DREPTATEA in Romanian*  
*5 Jun 91 pp 1-2*

[Article by Carmen Ianu: "Silence Is Also an Answer"]

[Text] Much to the surprise of many people, the authorities reacted almost instantaneously to what is already known as the "Berevoiesti affair." Considering the indifference, superiority, and often violence with which other attempts by the independent press and the opposition to interfere in the internal affairs of the institution that until recently was called Securitate were treated, Mr. Magureanu's in camera declaration marked an obvious change of method. It is true that Mr. Magureanu is an exception among the gallery of first-string personages whose common trait seems to be a tendency to deny any evidence with a stubbornness bordering on the ridiculous. The SRI [Romanian Intelligence Service] director knows better than Messrs. Iliescu and Roman that it is not diplomatic to keep saying "no" in absolutely every circumstance, and he is acting accordingly. And Mr. Magureanu knows equally well that a statement containing exactly as much truth as is useful is a terribly effective weapon. It allows one to gain credibility in the eyes of the public while keeping any "destabilizing" elements away from curious eyes. The SRI director knows full well that an intelligent person can turn to his advantage a situation that at a certain point may be unfavorable to him, so he has chosen the most effective way: direct and swift intervention in the Chamber of Deputies. In his declaration he did not deny any of the ROMANIA LIBERA reports (which would have been quite ridiculous), formally shouldered the responsibility for what happened (although he did not omit to specify that he was not aware of the "initiative" of his underlings), and in a culminating finale he anticipated the "Iordache motion" by promising that the SRI will help

investigate the files of Securitate collaborators and informers. The surprise caused by the ideas advanced and especially by the tough language used—unprecedented in official statements—stirred "euphoria" among the audience, but anyone who has already been burned by professional diversion and intoxication is by now more doubting than Thomas himself. Although Mr. Magureanu tried to demolish the myth about the talents of the Securitate employees in most unflattering terms (not the action of a good colleague, but "the end justified the means"), we will take the liberty of sticking to our own opinions on the matter. But let us have a more careful look at Mr. Magureanu's statements.

As a good psychologist, he launched a frontal attack by saying that the diabolical intelligence and skills of the Securitate members were an artificially magnified myth. One clear proof of the "clumsiness" and "stupidity" of many of the employees of the organization in question were the events in Berevoiesti. There followed a detailed presentation of the scenario, itself followed by the specification that he was not aware of the initiative of his underlings, something that made him "feel stupid" (just like we feel when Mr. Magureanu thinks we can believe such things). On the surface, the SRI director's declaration was "unassailable." But even such a monolith has cracks in it. First of all, his disconcerting assertion about the lack of professionalism of some of the former (!) Securitate members. Aside from the roughness of the language employed, it cannot be ruled out that the idea is to subtly suggest to us that the Securitate's prerevolution abuses and the actions in which employees of that institution were implicated after December 1989 were the outcome of such "stupid" initiatives. It seems that the ground is being prepared for demonstrating that the higher or lower bosses of the Securitate were not aware of the actions of their underlings and are consequently not answerable for their consequences, however serious they may have been. The reasoning may seem correct, but you see, Mr. Magureanu and gentlemen former chief Securitate members, even babies know that in a military-type institution like the Securitate was, no one could afford to have his own ideas and to carry them out without the "blessing" of his superiors, and that the only deviation allowed (and encouraged) was excessive zeal. There was no "stupidity" there, merely the conviction that the action will elicit no consequences even if the documents were to fall in the wrong hands. This is what will probably happen; at the most the persons involved will be reprimanded for negligence in the discharge of their duties. Documents concerning operations of the (!) former Securitate have been published before and, thank God, no one was touched, unless it was in order to be promoted. The Berevoieti case is somewhat more delicate for the authorities, because the "digging" was attended by foreign press correspondents and because among the papers found were some showing proof of involvement of the Romanian Securitate in international terrorist networks. The affair risked to further "crimp" Bucharest's prestige (if that were still possible), so some swift action was called upon, and thus the dead

cat was tossed into the yard of Ceausescu's Securitate, and that was that. The SRI and the Interior Ministry saw nothing and heard nothing.

Mr. Magureanu also stated that the Berevoiesti operation could have taken place legally with all papers in order. The fact that Securitate members did and continue to do illegal things is not new to anyone—that's their way of life—but why would it have been legal to burn Securitate documents in the ovens of the Scaieni glass factory? Is it all right that some of the archives containing pages of the history of this horrible organization should be used to fuel—even legally—factory boilers? Is it all right to toss into the flames the tragedies of thousands of families in order to shelter utterly unscrupulous individuals from public contempt, if not from the rigor of the law? Is the "sine diae" postponement of the trials of all the Communist bosses for all the crimes committed for close to half a century merely a maneuver designed to allow those in charge of "erasing the traces" to carry out their mission? How many other places in the country have been the site of operations like Berevoiesti? A few days ago Mr. CLaudiu Iordache said that he had information concerning the fact that already five years ago the Securitate had prepared a "reserve archive" for an emergency. Will the hypothetical parliamentary commission be provided with precisely this kind of duplicates undoubtedly designed to whitewash the Securitate bosses and living Securitate members by laying the blame on the ones who died in the meantime? Concomitantly with Mr. Iordache, Senator Dan Iosif stated (interview with R. Nicolau, Friday, 24 May 1991) that the Securitate data bank was located in the building that was the first to catch fire in the evening of 22 December 1989 and that was completely destroyed. Considering that Mr. Iosif was on the spot, we have good reason to believe that his information is correct. What a strange coincidence.

While Director Magureanu provided relatively sufficient details about the documents of the (?) former Securitate (clumsily handled by SRI employees), the same thing did not happen in regard to the most important aspect of the ROMANIA LIBERA disclosures, namely the pre-electoral documents of the PNL [National Liberal Party] and the PNT-cd [National Peasant Christian Democratic Party]. While the blame for the other documents hidden in the Berevoieti pit can be laid at the door of the prerevolutionary Securitate, the documents of the two historical parties are obviously the work of the postrevolutionary Securitate, which was not dismantled nor ever intends to be dismantled. How did those documents come to the Securitate archives? That is a question that the amiable SRI director did not answer. Moreover, the SRI communique of 21 May contained not a word about that matter. The existence of the documents in question could not be denied (because they had been seen by a lot of people). Also, they could not be represented as fakes, because the ROMANIA LIBERA press conference was also attended by representatives of those parties who were fully authorized to verify their authenticity. Consequently, nothing was said. This "omission" makes the

entire structure built by Mr. Magureanu in support of his declarations of "openness" appear suspicious. All the more doubt is cast on his statement that the SRI has nothing to do with the Securitate. However, the people who "took care" of the Berevoiesti archive were SRI employees, and the documents of the PNL and PNT-cd did land in the bags of the Securitate. There were only two ways in which they could have arrived there: on the occasion of the miners' raids in June, or—forgive my insinuation—through persons who had access to them. Who was it who mingled them with the Securitate archives? Mystery. All along we suspected that SRI gentlemen, former Securitate comrades, were directly implicated in infiltrating the parties and in steering the "spontaneous" Jiu Valley envoys through Bucharest, but now we have written proof of it! Unfortunately, no matter how loud an outcry the press may rise about it, those responsible will not suffer in any way. The big brass is protected by their position and their power, and the small fry who carried out the orders are protected by the ones high up. With every passing day the SRI's descent from the former Securitate appears more evident. Aside from a skilful diversion (which contradicted Mr. Magureanu's assertions about the clumsiness of "shadowy functionaries"), the SRI director's statement cast a thick silence over the "June 1990" topic in spite of its implications. But silence itself is also an answer.

### Supreme Court Appointments Said Illegal

91BA0827B Bucharest ROMANIA LIBERA  
in Romanian 4 Jun 91 p 1

[Article by Petru Clej: "Romania Is Not a State of Law"]

[Text] In this fourth and last installment we want to recap a few elements of the downfall of the Supreme Court of Justice, at the same time defining some of the ideas that have recently appeared in this connection in several publications.

Immediately after 22 December 1989 the provisional legislative power was exercised by the FSN [National Salvation Front] Council. One of its duties was to appoint and release the president of the Supreme Court of Justice (decree-law No. 2/89). That was the first flaw in the new system: Nowhere was it stated, in any legal act, what the Court was and what its duties were. Prior to 22 December 1989 the country's supreme judicial body was the Supreme Tribunal, which operated according to the judiciary organization law of 1968. In other words, the Supreme Court of Justice has no legal foundation for operating. In spite of that, decree-law 75 of 26 January 1990 appointed ten new justices to the Supreme Court. We do not know on what basis it did so, because the FSN Council had the right to appoint only the president, not the members of the new court. The country's supreme judiciary body is operating illegally with illegally appointed justices. Consequently, all its acts are null and void. Some of the justices were members of the Central Electoral Bureau, which (under decree-law 92 of 18

March 1990, the electoral law) was empowered to oversee the May 1990 elections. Other justices were appointed from among the members of the panels that returned a decision on contestations against presidential candidates. Since they were appointed illegally, it logically results that all their decisions are legally void, something that casts a doubt on the validity of the entire process by which Romania's Parliament and president were elected.

After the 20 May election, the Supreme Court gained some measure of legality. In accordance with decree-law 92/90, article 82, letter b, Romania's president appoints the president and members of the Supreme Court of Justice with Senate approval. Indeed, on 19 July 1990 Dr. Teofil Pop was appointed president of the Court and the members were also appointed. The strange part was that the justices were assigned to sections also by a decree signed by President Ion Iliescu and countersigned by Prime Minister Petre Roman. Section chairmen were also appointed on the same occasion. Was that also among the duties of Romania's president? We doubt it. He is entitled to appoint only the Court president and the members (justices). We also wonder by what act the former Supreme Court was dissolved, because the electoral law did not call for its dissolution after the elections. It results that all the judges that are no longer on the Court and had been (illegally) appointed before 20 May lost their seats illegally! We will cite only two examples. Radu Giroveanu, appointed in January 1990, was a member of the Central Electoral Bureau. As such it seems that he discovered a fraud in the elections for the Assembly of Deputies in the Bucharest electoral district. He is currently a state secretary at the Ministry of Justice. Corneliu Turianu, who was also appointed in January 1990, was demoted after the elections to the Bucharest Municipal Court. There he gained attention, together with his colleague Magdalena Dumitru, in the trial of one of the "13-15 June" groups in which he returned a decision that did not please the powers that be. His demotion was apparently due to the fact that he is disliked by both Mr. Teofil Pop and Florin Vasilescu, a presidential adviser and former prosecutor at the General Prosecutor's Office before the revolution.

But let us see what criteria were used for the appointment of the Supreme Court justices. The 1968 law of judiciary organization stipulates three conditions for the appointment of Supreme Tribunal judges (which was forcibly subsumed by the new regime in the Supreme Court of Justice: a) to have a doctorate in law; b) to have at least 15 years of experience as a judge; c) to have flawless moral character. Setting aside the first condition, for which compromises had to be made at times with the communist regime, the people who present the last two conditions are very few. Moreover, almost one-fourth of the members of the new Court never served as judges in their lives! As for the moral character of some of the high magistrates, much has been written in the press about that and very serious accusations have been made that to this day have not been denied. While

the private life of an anonymous citizen is protected, the private life of a Supreme Court justice is a matter of interest to the entire public. It must be, if not flawless, at least correct. However, the scandalous divorces of some of these judges, or the fact that one of them is accused of carrying a knife, should disqualify them from a career as magistrates.

The Court composition suffered some changes after 19 July 1990. Two judges were recalled on 12 September 1990: Dorin Clocotici and Maria Burac were released (allegedly) at their request for health reasons. Although the law says nothing about revoking, normally that should be done with the approval of the Senate, just like appointments, in order to preempt abuses, since magistrates are not yet appointed for life. In April 1991, 11 new judges were appointed, seven of them at the newly established section of Administrative Disputes. The Senate endorsement came under Decision No. 5 of 18 April 1991. At the time we described the manner in which that endorsement was issued—the candidates were voted in bloc. Two of them, Attorney Vasile Chelaru and Prosecutor Emil Maier were not even present. They refused to compromise themselves by belonging to this Court. Announced on the same occasion was the appointment of Justice Gheorghe Uglean to head the newly established section. But, surprise! Despite Senate approval, under decree 35 signed by President Ion Iliescu and countersigned by Prime Minister Petre Roman on 30 April 1991, only nine justices were named (Chelaru and Maier were missing), and Ovidiu Zarnescu, the former chairman of the Central Electoral Bureau, was appointed as the chairman of the Administrative Disputes Section. In other words, what the president decreed was not what the Senate had approved. Things did not stop there. Two other Court justices were revoked: Samoilă Joarza, member of the Military Section was "promoted" to director of the Interior Ministry general directorate in charge of passports, border control, and aliens records, replacing the "memorable" General Rozoleanu, the one who carried out orders to the letter and the minute and deported King Michael on 25 December 1990. Adrian Duta, a member of the penal section, was appointed undersecretary of state at the Ministry of Justice. Evidently, the two justices were revoked without Senate approval. We wonder: Has the Supreme Court of Justice become some sort of purgatory or waiting chamber? The number of justices is by now almost 50! Who regulates this number? Soon there may be 100, all paid from the state budget, meaning from tax payers' money. The Supreme Court of Justice has no operating bylaws. On what basis was the Directorate for Studies and Documentation—that veritable cemetery for old elephants—established as part of the Court?

Still, these issues are in a way a matter of form. No one would have anything to object if the actual work of the Court were irreproachable. The reality, however, is entirely different. Already in October 1990 the Supreme Court had to pass its first difficult test. On the basis of

article 2 of the electoral bill, which stipulates the separation of powers in the state, and of a precedent dating back to 1911, Attorney Adrian Vasiliu, who was representing the interests of a group of citizens whose rights had been violated, attacked the constitutionality of decree 92 of 1950 and of other communist laws under which privately owned apartments and buildings were arbitrarily seized. In an unprecedented procedure in the past 50 years, the Court naturally deliberated and, after three successive postponements, reached a decision with a majority of 20 to 10: The Supreme Court of Justice is competent to rule on the constitutionality of laws, but it was not notified correctly! The Court may be notified only by the prosecutor general by extraordinary appeal (a procedure copied from Soviet Law). The minority, invoking the absence of a text of law, opined that it was not of the competence of the Court to monitor the constitutionality of laws. Alone, Justice Lucia Tudorica held her own view: The Court is competent and it was correctly notified, hence it must make a ruling. That was a model of courage. Court President Dr. Teofil Pop was put in a very delicate situation. Between the communist version (the Court is not competent) and the bold, anticommunist version (the Court is competent and must make a ruling), he and the majority opted for an absurd version: The Court is competent, but it was not approached correctly. It can be notified only by the prosecutor general by an extraordinary appeal. In fact, the General Prosecutor's Office, an institution strongly polluted by the communist spirit, from the beginning claimed that it was not empowered to draw attention to the issue of the constitutionality of laws. In fact, imagine what would have happened if decree 92/50 had been declared unconstitutional even by the idiotic "constitution" of 1948: Thousands of citizens might have recovered housing that now the Roman government is trying to seize definitively by sending arbitrary draft bills to Parliament. The Supreme Court and its president missed out on an opportunity to begin the trial of communism and thus to go down in history. The annulment writ filed by the brilliant attorney Adrian Vasiliu was turned down in May. No surprise there.

Another action in which the constitutionality of a law was attacked, was the one filed by Valeriu Mangu against article 64, letter t of the Labor Code, on the basis of which he had been arbitrarily fired under the communist dictatorship. The decision returned in the case of the arbitrarily seized buildings was repeated. Valeriu Mangu appealed, and at the same time he challenged the Court plenum! He evidently lost, but a precedent was created. Individual challenges followed in other trials.

Another case in which the Court "excelled" was the suspension of the strike of the Iasi railway workers. According to the law on labor disputes, the Court suspended the strike for 60 days, but it grossly violated the

subpoena procedure. Actually, the railway workers ignored the decision and continued the strike for another few days. Attorney Vasile Ratiu appealed the decision, which was accepted shortly before the expiration of the 60 days term for which the strike had been suspended. The decision was void in any case, but it was an additional slap in the face of the Supreme Court. In fact, the solution had been demonstrated by journalists in several papers. That is how the justices realized and amended their mistake. Too late, however.

Great indignation was aroused among the public by the countless overturned decisions, as in: Robu vs. Corneliu Vadim Tudor (which insulted the entire Bucharest bar); the trial of Toader Stelca, the mayor of Sapinta; the trial of Elena Barbulescu; the trial of the Sibiu officers, and the latest to date, the trial of the Timisoara genocide. In the latter case, the justifications were forced and the last explanation provided by Justice Bogdan Sabin Graur was downright defiant in its untruth that the trial had to be held at the Supreme Court. The trial, however, had not yet reached the Supreme Court level, since the case had not yet been adjudicated by the competent court: the Timisoara Regional Tribunal. Consequently, a gross lie. And if to all that we added the influencing achieved by permitting selective access to imprisoned defendants ("Europa," "Romania Mare," or "Love Nevertheless"), the picture is mostly complete.

We think that the conclusions are evident. We will take the liberty of suggesting a few measures for the executive and legislative powers to urgently examine and possibly adopt until the new Constitution comes into effect: 1) Adopt a Human Rights Charter in accordance with the relevant international treaties to which Romania is a party. The Civic Alliance has already hammered out such a draft. Czechoslovakia has already adopted such a charter. This can help decide the constitutionality of the laws. 2) Amend the bill on judiciary organization with a view to regulating the Supreme Court statute and making it competent to monitor the constitutionality of laws. 3) Eliminate the procedure of extraordinary appeal and enable citizens to appeal directly to the Court when a law violates their constitutional rights. 4) Not appoint justices for life until the constitution comes into effect, but make their removal dependent on Senate approval. 5) Revise the draft constitution along the lines of repealing the institution of the Constitutional Court and empower the Supreme Court of Justice to monitor the constitutionality of the laws. That can serve to restore the dignity of court authority. Although there is no European precedent for such an act, it is anchored in Romanian constitutional tradition. 6) Implement the Claudiu Iordache motion immediately. If the executive and legislative powers commit an error, it can be corrected by the judiciary. If a judge commits an error because of incompetence, dishonesty, or because he is being blackmailed by the Securitate, the citizen is left unprotected and the law and the state of law are nothing but words.

### Options of Internal Border Changes Reviewed

91BA0841A Zagreb DANAS in Serbo-Croatian  
11 Jun 91 p 10

[Article by Radovan Pavic: "Fantasy Becomes Reality"—first paragraph is DANAS introduction]

[Text] Greater Croatia, Greater Serbia, and a partition of Bosnia-Herzegovina are three options that ought to be discussed, in spite of their irrationality, or precisely because of it

In the interethnic conflicts that are characterizing the end of the 20th century, not only here but also elsewhere in the world, the problems can be solved (and "solved") in three ways: 1. geopolitically, i.e., by shifting borders or by partitioning/combining territories; 2. by resettling the population; 3. by equal rights and coexistence within the existing border-territorial framework. Understandably, only the third option (except in the event of true agreements) has a historical level and looks toward a humanized future, whereas the first two only reflect the balance of power and entail disaster.

Border territorial issues are always the most difficult ones in interethnic/intergovernmental relations, and it is precisely that geopolitical reason, and no other, that can be a cause of war—everywhere, and thus here as well. Specifically, one may reach an agreement on anything, but borders are usually determined by force—on one hand, borders and territories are involved in every aggressive "greater" idea, and on the other, every step of one's own (sacred) land is a threshold across which one cannot retreat.

The second possible solution consists of simple resettlement—actually, the flight or replacement of the population, with the borders remaining permanent. The difficulties that arise are virtually insurmountable, however, and usually mean rushing headlong toward disaster—for several reasons:

1. The areas that some ethnic group would have to abandon nevertheless constitute its real homeland on the basis of several centuries of having established roots there. Those ties, especially in the case of a rural population, are difficult to break, and the conflict of love of one's home and patriotism gives rise to difficult problems and frustrations;
2. Time is necessary, and money even more so, along with the most important thing—a new way of organizing life—for acceptance of the population, which cannot and must not be merely a rescue of that population, but should instead make possible its long-term functioning and an existence with prospects. The situation is such, however, that quick solutions are not feasible, there are no large amounts of money, and a new way of organizing life—which is the real criterion for the success of the undertaking—is extremely difficult to achieve;
3. It is difficult to believe that resettling sizable populations could be done without conflicts and suffering; and

4. The most important thing of all is that the entire population would not become involved in the adventure of resettling; many people would not want to abandon their birthplace no matter what it was like, which means that the minority problem would still remain, but that the position of that minority could even be more difficult, since its minority status would be heightened even more by a partial emigration. Consequently, it is obvious that the solutions have to be on a historic level, which means that they must be democratic, and not physical, i.e., by resettling the population or moving the borders. That should be taken into account by all those in our country who are toying with petty political ideas about border-demographic "solutions" (naturally, it is another question if something can be achieved by agreement). All of the problems and characteristics cited also apply to Yugoslavia, with one specific feature—to a great extent they are concentrated in Bosnia-Herzegovina, which thus assumes truly exceptional significance in the Yugoslav crisis.

#### Bosnia the Key

In view of the two basic poles of the Yugoslav crisis, Croatia and Serbia, any consideration of their relations also has to cover Bosnia-Herzegovina, for understandable reasons: It is an intermediate area, it has both a Croatian and a Serbian population, with a specific spatial distribution, and it has thus inevitably been a bridge, a buffer zone, or an object of encroachment and usurpation and a place of conflict—depending upon circumstances and the balance of power. It is important to note in this regard that Bosnia-Herzegovina simply cannot avoid the fate of being drawn into the conflict. Croatia's restraint and its respect for Bosnia-Herzegovina's borders and the will of its population are of little significance in practice, since in any combination of solutions for the Yugoslav crisis, Bosnia-Herzegovina involuntarily forms part of "Greater Serbia"—for Greater-Serbian extremists, it is simply an "old and central Serbian land." The Muslims and Croats do not count here. That is why it is precisely Bosnia-Herzegovina that will have crucial importance in resolving the Yugoslav crisis, in which both the number and the new awareness of Muslims will play one of the vital roles.

In view of the different aspects of the problem of Bosnia-Herzegovina (and not just its problem alone), it is obvious that the solutions can be very different—but the only one that has historical weight in the simplest sense is the triangle that consists of: first, sovereignty (embodied in the final analysis in one's own weapons and money), as the sole and final real form of assuming a place in history as a subject and the sole guarantee and confirmation of a political entity; second, the integrity and inviolability of territories and borders without a resettlement of the population, since that contradicts the roots that it has established over several centuries; and third, economic responsibility, i.e., living exclusively by one's own work, and thus without transferring and investing funds on the basis of political power. On the



basis of that triangle, everyone becomes a real participant in history, and this will open up the best possibilities for true cooperation, along with the principle of mutual benefit.

Nevertheless, even before trying to designate certain aspects of rational solutions, it is necessary to point out at least three absurdities: These are "Greater Croatia," "Greater Serbia," and finally, the partition of Bosnia-Herzegovina: Since we are in the Balkans, such an approach is closest and most logical to us, although such a small number is confusing. The times are too serious for ignorance and the mentality of "it probably won't happen" to be accepted as an alibi for the oversights of statesmen's wisdom and the public's lack of information. But we need to sweep in front of our own door first of all.

Any discussion of "Greater Croatia" is necessarily based on history and historical rights (and "rights"). In this respect, reliance upon history is usually considered a well-founded and strong reason for certain national demands. Nevertheless, historical rights are only important in the event of the continuity of state authority and a certain ethnic group's habitation of a certain area, or in the event of that area's long-term possession by a certain state entity while retaining its traditional name. In such cases, a new immigrant population cannot change the state, and it cannot change the immigration area into another state, just as that applies to the migrations of Serbs into Bosnia-Herzegovina in order to save their lives; they by no means create a new Serbia by doing so. With a change in ethnic groups and a lost name and state tradition, however, the history and land are dead, and the area belongs to the other ethnic group, which establishes long-term existence there, and actually settles and increases the value of that area which constitutes its well-defined ethnic territory. Likewise, little significance can be attached to the former authority/state identity without continuity—the present-day realities are more important than former historical ethnic-territorial rights. History is history, and therefore Bosnia-Herzegovina does not belong to Croatia (or to Serbia either), but rather to itself. In this regard, only western Herzegovina may constitute a specific problem.

#### "Greater Croatia"

These issues of historical rights merit our pointing out at least three problems: i.e., first, whether they are based solely on the distribution of the former authority, regardless of what ethnic group is involved, which means authority over some different ethnic group. In that case, only the former existence of the authority is valid as a historical right, and not the ethnic base. Understandably, such historical rights ("rights") are unacceptable, and they are rejected by liberation processes. In the second place, are the authority and the ethnic group identical? In this case, historical rights are based on the relevant duality (the authorities and the ethnic group), and are extremely significant. In the third place, are the historical rights based solely on a certain ethnic group, regardless of whether it has been ruled by a foreign power?—

i.e., in this case the historical rights are ethnically based, and the final outcome depends upon liberation processes.

It is precisely upon the basis of such concepts that one should also consider the problem of the so-called "Greater Croatia"; it represents a clearly geopolitical concept since it contains within itself certain encroachments. It is true that the Croatian ethnic territory was once considerably more extensive than it is today, and that the authority of the Croatian feudal system reached deep into Bosnia-Herzegovina—thus, for example, in the second half of the 11th century, under Petar Kresimir IV, up to the line connecting the Bosna river, the Vranica mountain, and the Neretva river. That is history, however; the authority over the territory has disappeared, the Croatian name has vanished, and today's Croatian ethnic component in Bosnia-Herzegovina cannot be a reason for Greater Croatian encroachments upon that territory as a whole, which means that the question of western Herzegovina remains open. History, nostalgia, and imperial-territorial interventions no longer belong to modern times. It is true that there are Croats in Vojvodina and Bosnia-Herzegovina and Montenegro, but it by no means follows that this justifies a "Greater Croatia" that would include Backa, all of Baranja (and thus a part in Hungary), Srijem, Bosnia-Herzegovina, and Red Croatia (the coastal area of Bosnia-Herzegovina up to Bojana), in which case the most important acquisition in this extremist "Greater Croatia" would obviously be Bosnia-Herzegovina. Nevertheless, a "Croatian flag facing Romania" in this regard is a counterproductive, petty, political excess which is understandably unacceptable. At the same time, however, it is also necessary to warn about certain ideas which seem inappropriate, but are actually not, although they are suitable for cheap insinuations: Thus, the thesis that "Croatia is defended on the Drina" does not at all reflect any Croatian territorial encroachments upon Bosnia-Herzegovina, but rather expresses the awareness that defending Bosnia-Herzegovina against Greater Serbian interventions is also at the same time defending Croatia, and that in any case, Bosnia-Herzegovina constitutes a certain buffer zone for Croatia.

In this kind of analysis, it is obviously interesting to look through certain issues of VELIKA HRVATSKA, and in the more moderate variant, i.e., including only Bosnia-Herzegovina; it would have 107,667 square km, and 8,725,477 inhabitants, which is a 90.43 percent increase in Croatia's territory and an 89.62 percent increase in its population. That is, of course, a good mouthful, attractive to all adherents of a Greater Croatian state. It should also be mentioned, however, that such a "Greater Croatia" would include 42.09 percent of Yugoslavia's territory (instead of the present 22.1 percent), and would control 38.9 percent of Yugoslavia's population, instead of 20.52 percent, as of 1981. In such a "Greater Croatia," however, there would only be a total of 4,212,797 Croats, or 48.28 percent (in 1981, Croatia had 3,454,661 Croats, or 75.1 percent). That very fact clearly



shows that a "Greater Croatia" does not mean a solution to the Croatian question, because Croats would be in a minority in the new state; and the number of Serbs, of which there were 531,502 in Croatia in 1981 (11.6 percent) would increase to 1,852,146, or 21.23 percent, in "Greater Croatia." And if one added to such a "Greater Croatia" (Croatia and Bosnia-Herzegovina) Srijem as well (5.41 percent Croats), then such a creation would have a total of 9,354,341 inhabitants, and among them even fewer, i.e., only 45.4 percent Croats, with the proportion of Serbs increasing to 24.71 percent. Fortunately, such ideas are not supported at all by majority-ruled, politically responsible, and democratic Croatia. Nevertheless, the overstressed extremists are not thinking about this at all, of course, because they are guided only by the sacrosanct geopolitical idea of the size of territories.

Such ideas have been formed by history, and they are understandable: History has moved through such a flow, but nevertheless—all of this is just history; consequently, in any case "Greater Croatia" would be ethnically very diverse, and the numerical superiority of Croats would be reflected only in a relative majority, and would be fragile, and thus the ethnic problems would be enormous. Consequently, the idea of a "Greater Croatia" is absurd, and logically it does not represent any segment of serious and responsible Croatian politics at any level or in any extent—instead, they are recognizing realities, and the borders of Bosnia-Herzegovina and the will of its population. But that can (?) include the following: a will for the annexation of the predominantly Croatian parts of Bosnia-Herzegovina to the Republic of Croatia, subject, however, to the very strictest criteria for delimitation, namely: position and homogeneous ethnic composition, a corresponding border, i.e., ethno-territorial continuous area, and a position with a certain ethnic group representing more than 75 percent. Western Herzegovina and the upper Krsko area toward Livanjsko Polje absolutely satisfy these criteria—but we can talk about this on another occasion.

### Report on Serbian Refugees From Croatia

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p 24

[Article by Petar Ignja: "A Living Bridge Over the Danube"]

[Text] How many Serbs have fled to Vojvodina or Serbia from Croatia, from the territory which still bears that name? We do not know for sure. For that matter, it is difficult to record and follow all the refugees, because many go to relatives and friends, and it all comes down to a private matter, every day new columns are crossing the Danube in small boats or over the bridge between Ilok and Backa Palanka.... But the calculation is that at least between 5,000 and 6,000 people have left their homes and are resettling because of the oppression in Croatia.

Resettlement into Vojvodina seems to be an old habit of the Serbs.

In the Vizic local community, Backa Palanka Opstina, when they suspected that the Croatian police or HDZ [Croatian Democratic Community] storm troopers could pay them a visit at night, they concluded that it would be best to arm 25 able men in the village in order to defend it.

Who are the refugees? Mainly women and children, the elderly. The young people have stayed to watch over things. They are waiting for the day of judgment, but they are ready to fight.

At the refugee reception center in Backa Palanka, we talked to Radovan Stojic from Sremske Laze, a village near Vinkovci, who recently fled from Croatia fearing for his life. He left behind his wife and two sons. He believes that they are in less danger than he. Why?

"In the first year of the war, the Ustashi naturally killed my father, mother, brother, sister, and uncle. Today they would kill me if they got their hands on me. As a former officer of this army, as a man who fought in the war, I have to say: The way it has begun, it will not end without war. They will not abandon their Ustasha policy voluntarily, and the Serbs will not give in. I believe that Seselj will take care of many of them," Stojic says.

Aleksa Cancarevic, who is a captain retired from the military, came here from Borovo. He got in trouble with the present Croatian government back in 1943 when he waged war against the Ustashi, but also recently when he was against the HDZ-ites flaying an ox in the schoolyard, celebrating some holiday of theirs.

"We can no longer live with the Croats. In Borovo, both the women and the men have become savage. All day they shout 'This is Croatia, this is Croatia....' They warned Mica Kordunas' daughter, who was working in the garden, not to trouble herself, not to work, because in any case that would soon be theirs."

After he complained to the authorities because of the flaying and roasting of the ox, Aleksa Cancarevic did not stir from his house. He did not even go to the local community, of which he was a member.

"Things have gone so far now in Borovo that even Mira Hrvatica is carrying a Kalashnikov on her shoulder. She carries it when she goes to work in the factory and says that she will be the first to kill at least one Serb. But there are no longer any Serbs in the factories, they have not gone to work for a long time now. If she wants to kill at least one Serb, she will have to go in the woods, to the barricades," Aleksa says.

Because as an old warrior he is familiar with the fighting spirit and mentality of the Ustashi, he does not hide what bothers him. "When the HDZ-ites catch one of ours, they beat him up, and they drive spikes under his fingernails. On one occasion during the war, the Ustashi set fire to a Serbian village. Then the Chetniks came

down from Ozren, they drove the women and children out of two Croat villages (the men had gone off to join the Ustashi) and set fire to both villages. An offer immediately arrived from the Ustashi that the villages no longer be touched. We will not touch yours, don't you touch ours. That was the mentality," Aleksa says, "you have to pay him back double if he is to respect you!"

The reader need not agree with Aleksa's thinking. With his theory that for one tooth one takes out two from his enemy and that for one eye one must unfailingly take two. In a time of pluralism, he is simply expressing his opinion. And he says: "If someone knows better than I do, then let him say what he knows. But until that wiser man comes along, the Serbs will be leaving Croatia. Croatia will become the most sinister racist country," Aleksa says.

"It is painful to look at Kozarac ulica," says Julka, Aleksa's wife, "when young Ivek, Nikola, Ivica, Josip, and Borisa go along the road with Kalashnikovs on their shoulders."

"They walk up and down the road so that we will look at them. I have not seen Stjepan among them. His wife is a Serb.... And Branko's wife is also a Serb, but he beats her terribly. Incidentally, this Branko has a store of ammunition in his cellar," says Julka Cancarevic.

Where does the hatred come from? Why are the Croats firing at Serbian houses?

"I do not understand it. I think like a woman," says Savka Dzigerovic of Borovo Selo, who fled with her blind husband.

I asked Nedeljko Dzigerovic, who can hardly distinguish day from night and nothing else, why he fled, because surely a blind man is no danger to the new Croatian government?

"When they are chasing a Serb, they do not ask any questions. I was a principal target. I cannot see, I cannot run. They like people like that the best—no arms, no legs, no eyes. A showdown with them is easiest and surest," Nedeljko says.

The Serbs are fleeing from Croatia, convinced that there is little that can help them at this point. They do not have much faith even in the strength of the Army. For 40 years that Army has defended us against those who were not attacking us, and now it is not defending us against those who are writing the country's obituary. Farewell! The Serbs in Croatia say this and believe more and more that only a strong Serbia can guarantee Serbs a life. Not much of a life, but life.

#### **'Blockade' of System by Bosnian Parties Scored**

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pp 18-21

[Article by Bogdan Ivanisevic and Dragan Cicic: "Total Politics"]

[Text] Prof. Muhamed Filipovic (by his own admission "the first and leading intellectual of BH [Bosnia-Herzegovina]") leaped to back up a statement by Nijaz Durakovic that he possesses firm evidence of the intention to break up Bosnia-Herzegovina, and Filipovic went on to publish an essay on that in the newspaper BOSANSKI POGLEDI under the suggestive title of "Bosnia's Division Is a Done Deal," and accompanied by the already so much abused photograph of Tudjman and Milosevic in conversation. It soon turned out that the line of argument taken by both Durakovic and Filipovic was rather vague and mostly based on the processes of disintegration in Yugoslavia about which we already know. Nevertheless, or precisely for that reason, the question which it raised cannot be neglected.

"People do not realize how close we are to civil war here," I was told by someone in the top leadership of the BH government.

The news coming in from Bosnia does in fact indicate an increasingly serious blockade of the system which is trying to affect all the facets of life—from the Republic Assembly by way of the executive bodies of government, all the way to the judiciary and the information system. In view of the agreement among the three victorious ethnic parties—concerning strict respect for ethnic representation and avoidance of outvoting at any price—fewer and fewer issues are being resolved.

#### **A Hodja as a Chief of Police**

"Now in BH, under the present Constitution, 20 deputies can block the Assembly at any time. They can always say that the issue in question concerns interethnic relations, and in that case the Council for Realization of Ethnic Equality must give its opinion. The Council is composed on the basis of ethnic parity, and it makes decisions by consensus," says Dr. Kasim Trnka, president of the BH Constitutional Court. "The arrangement itself is not in dispute, but it makes no distinction between essential and nonessential issues and it does not provide any backup mechanism in the form of temporary solutions, yet some issues are so embedded in life, so urgent, that they cannot wait. In such cases, solutions will be arrived at outside institutions: 'In the milder' alternative, an agreement among political parties, and in the worst case, by a chaotic situation, by and large the principle that might makes right."

Probably nowhere is the problem of rigid implementation of the principle of the "ethnic quota" so obvious as it is in the BH MUP [Ministry of Internal Affairs]. The political parties in the opstinas nominate chiefs of public security stations and commanders of police stations, and when they cannot agree, they "pass the buck" to the Ministry. When it appoints someone, he usually comes up against a blockade of (the strongest) local parties or even a protest by the local population. But even if the parties "in the field" reach an agreement, utterly incompetent people are put in the post (Alija Delimustafic,

minister of internal affairs, mentions among the chiefs six recent hodjas and six priests).

Dr. Miodrag Simovic, responsible for domestic policy, jurisprudence, and administration, says:

"The way in which the constitutional principle of proportionate ethnic representation in government bodies is being implemented is seriously jeopardizing the functioning of those agencies. Often the parties nominate people who do not have the requisite formal training, they have no affinity for work in the security services, and the parties insist on this even though the minister is opposed."

#### As Yugoslavia Goes, so Goes Bosnia

While Simovic feels that the local party leaderships deserve the "credit" for the meddling and that Izetbegovic, Karadzic, and Kljucic do not even know who has been nominated for responsible posts in public security and the police, Delimustafic himself, the minister of internal affairs, has declared that the three leaders for all practical purposes appoint people to the MUP even in opstina stations and that (this part of Delimustafic's statement really caused a stir) certain (gifted) "good Serbs, good Muslims, good Croats" are either released or not arrested because informal pressure is applied.

Aside from this direct form, the ethnic parties are also embittering the life of the government (that is, its ministries) in that they are frustrating the normal operation of the parliament. The walking out at meetings and attendance stipulated upon fulfillment of ultimatums, slowness in agreeing on the agenda, are having the result that adoption of certain important laws already prepared in the government is held up for weeks and even months (concerning concessions, housing relations, misdemeanors...). At the same time, the government has the alibi that it cannot act because of the parties and the parliament (that is, for all practical purposes, once again because of the parties).

Muhamed Cengic, deputy prime minister, has said in an interview for NIN that the ministers in the government have agreed that "from now on" they will act as ministers of all the nationalities, in the spirit of the interests of all the nationalities in BH. Just like other distinguished representatives of the SDA [Democratic Action Party], Cengic emphasizes community and unity among the inhabitants of BH as a condition essential to BH's survival.

"The leaders of the SDA have never said anywhere that Bosnia is Muslim, that they do not want to live with the Serbian people."

Cengic has a ready answer to the objection that a "short circuit" occurs because of the difference in views concerning the arrangement of Yugoslavia:

"The leaders of the SDS [Serbian Democratic Party] are constantly calling upon us to make up our minds. However, if we say that we favor a federal Yugoslavia, we will have against us the Croats of Bosnia-Herzegovina, and if we favor a confederation—the Serbs. So, we say: We want a unified BH that suits us Muslims and also the Serbs and Croats. However the Serbs and Croats might agree on the type of Yugoslavia, whether it be a federation or confederation, we give our consent, but BH must remain unified!"

The political representatives of the Serbs in BH think differently: For them, the sine qua non condition is not the unity of BH, but that BH be in (federal) Yugoslavia! The protagonists of this view at the same time resolutely reject the conclusion that on this basis they are any the less "patriotic" than those for whom the unity of BH in its present borders is sacred. Those others, according to his own words, also includes Ivan Markesic, general secretary of the HDZ [Croatian Democratic Community] of BH:

"Even if Yugoslavia should fall apart, BH should remain whole in its present borders; for that matter, separation of Bosanska Krajina or eastern Herzegovina is unfeasible; that is, it would be insane. If the Serbian Assembly attempted to recognize acts of that kind, it would be an attack on a sovereign republic, it would constitute an occupation. The Croatian government recognizes the integrity of BH so long as it is not disputed from other quarters. However, BH is still waiting for a recognition of the same kind from Slobodan Milosevic. We in the BH HDZ would oppose denial of BH sovereignty by the Croatian HDZ. But the HDZ will never do that, because in an independent BH, as a part of confederal Yugoslavia, the Croat people can satisfy all their interests."

#### Moves That Were Forced

In the SDS they are skeptical when the question arises of this kind of declaration of loyalty to "BH" unity, because it is felt that in the case of Yugoslavia's disintegration, the HDZ would with certainty count on the territory of western Herzegovina, where today it is generally believed that "BH" authority exists only as a formality, while in the remainder of BH the percentage of Croats in the population is negligible, so that any new Croatia can be renounced.

Although Ivan Markesic denies that (informal) regionalization is taking place in western Herzegovina, it is clear that the powers of republic authorities are just as small—if not smaller—than in Bosanska Krajina or eastern Herzegovina, regions with a majority Serb population where regionalization has been carried out even "formally" (although the republic authorities contested). For Croats and Muslims the creation of those two communities of opstinas is an indicator of the Serbian intention to "split up" BH. For the Serbs it is above all a question of warning others what will happen if Yugoslavia becomes a confederation or falls apart. The uncertain outcome of the governmental crisis in Yugoslavia and

the hints in BH itself (the tying together of the flags of the HDZ and the SDA at rallies, accentuation of the natural alliance of these two parties) would seem to be forcing the SDS to "make its move in advance," to "give a response" in advance to the possible actions of the other side.

"The Serbian people in BH over the last year or two has always been responding to the moves which someone else has made first: We were the last to establish an ethnic party, and we accepted the strict administration of ethnic quotas once the proposal of the SDS for forming even the government according to a professional criterion had been rejected, and regionalization was a response to the spontaneous coalition in the Assembly (from its first session) and to the Declaration on State Sovereignty and Indivisibility of Bosnia-Herzegovina. What is more, the coalition and declaration have no justification whatsoever in the Constitution, but regionalization does," says Biljana Plavsic (SDS), a member of the Presidency of the Socialist Republic of Bosnia-Herzegovina.

It is no simple matter to distinguish exactly to what extent the leading protagonists (parties) on the BH political scene are guided in their acts by specific plans and goals that have been clearly sketched out, and to what extent their acts are motivated by a distrust of the intentions of others in the republic (and outside it). Biljana Plavsic, for instance, does not believe that it is an accident that the crisis flared up in BH immediately after Mesic's statement about carrying the "flame of conflict" into BH. Radovan Karadzic's calling on Alija Izetbegovic, which everyone now knows about, to renounce his 1970 Islamic Declaration, also reflects fears among Serbs because of the possible creation of an Islamic BH. (It is another question of whether this intention can actually be read in that 20-year-old manuscript. Izetbegovic proclaims the demand that he renounce the Islamic Declaration an "utter stupidity" and recommends that Karadzic first read that declaration "so that then he might understand that it was not written either for this time or this space.") And then on the Muslim and Croatian side a consensus almost prevails that the leadership of the SDS acts according to guidelines coming directly from Belgrade.

#### Consensus, but Unconstitutional

It would be unusual if this tangle of mutual suspicion and distrust were not also reflected in the BH parliament. If the recent SDA declaration on the sovereignty of BH upset the Serbs by not mentioning the sovereignty of the citizens and the sovereignty of the people, in the BH Assembly—as it is today—the only important thing is the nationality; that is, the ethnic parties from whose ranks the immense majority of the deputies come. Momcilo Krajisnik, president of the Assembly, nevertheless makes a distinction here:

"In the initial period, which was relatively brief, the parties had decisive influence. Even the deputies followed the parties and the party leaders in a disciplined fashion, if I might use that expression. Now it is different, the tendency is toward being quite the opposite of what it was at the beginning; that is, the influence of the leaders will be only one of the elements of decisionmaking," Krajisnik says. "The basic problem over which the homogenization of the parties and nationalities occurs is the unsettled question of the status of BH and the role of BH in Yugoslavia. Because of the obvious tendency to separate BH from Yugoslavia, pronounced differences are arising between the SDS and the other two parties. And it is clear that if there is no Yugoslavia, there is no BH as it is now."

One of those most called upon to pronounce his judgment on this key question of the status and sovereignty of BH is Kasim Trnka, president of the Constitutional Court of BH. He says:

"The optimum solution for BH is that of preserving the character of Yugoslavia as a state along with the establishment of sovereign republics. The transfer of sovereign rights to a common government community does not signify the loss, but rather the delegation of sovereign rights. This is a model that exists in Switzerland—although formally a confederation, Switzerland is actually a 'highly advanced' federation."

If the leading parties do not agree in their conception of the sovereignty and status of BH, on certain other issues they have shown a unity that was not unexpected in the least—wherever they do not get in each other's way in capturing yet another piece of government power.

Referring to Amendment 61 which dates from last July (establishing the obligation of proportionate ethnic representation in all government bodies and at all levels), the three ethnic parties adopted a law in the Assembly on a special condition for dismissal of the presidents of courts, public prosecutors, and attorneys general. The only deputy of the coalition of parties in power which voted against that law was Milan Trbojevic, the lawyer and former judge:

"The grounds and procedure for removal have already been envisaged in the law on the regular courts, the public prosecutor's office, and the attorney general's office. When this law takes effect, there is no longer a provision that would guarantee judges their mandate. It can always be said that the ethnic composition has changed, and in place of the old ideological criterion, this threatens the introduction of a new one."

The Constitutional Court of Yugoslavia has stayed implementation of that law until its constitutionality is evaluated by the republic Constitutional Court. And if it does not find that law unconstitutional, then the Constitutional Court of Yugoslavia will also rule on it. Thus, the three victorious parties have again arrived at a blockade, although in this case they have made the decision practically by consensus. It could almost be said

that when a solution is found in the end which satisfies all three ethnic parties, it does not satisfy the Constitution!

### **Decisions Are Only as Good as the Money To Carry Them Out**

There was almost complete agreement on another question—the question of the information system. Objections were heard and are still heard from all sides: The HDZ leadership says that the top management of the television network is made up of five Serbs and two Muslims, no Croats; leaders of the SDS have mentioned a future television network with three ethnic programs, and the SDA in Bosanska Krupa has appealed to its membership to boycott the newspaper OSLOBODJENJE (the dissatisfaction came from the way it reported demolition of the pedestal of the monument to Branko Copic).

Kemal Kurspahic, OSLOBODJENJE editor, says:

"I am convinced that it is completely impossible for a daily newspaper to operate if its editorial collegium is made up of a 'good Serb,' a 'good Croat,' and a 'good Muslim.' In the bustle of a daily newspaper, when decisions are made under the pressure of minutes, it is absolutely unthinkable to have to take into account the interests of the three ethnic parties aside from the professional criteria of an event's interest to the public."

Mr. Kurspahic recalled the decision made in the collegium that OSLOBODJENJE be transformed into a company owned by shareholders, in which case it would be recognized that the republic should have as many shares as its participation in the newspaper's capital, "and that, according to our estimates, is slightly less than 10 percent. It is clear that with a 10-percent share of the property, no one can have 100-percent participation in decisionmaking," the editor of OSLOBODJENJE adds.

Views like this, which pursue the line that in the ethnic euphoria it becomes even more essential to change economic relations as a precondition for creating a truly bourgeois society, are given their theoretical substantiation by Kasim Trnka:

"What we are trying to do now is to reconstruct bourgeois democracy, but many elements have not been created: There is no market, no law-governed state—certain and firm guarantees of human rights—there is only multiparty pluralism, but it produces a distorted picture, because the other prerequisites for the functioning of bourgeois society are not there. Those other prerequisites have to be furnished above all by solving the problem of reprivatization. Our system is being changed from above, from the political sphere, instead of from below, in property relations."

### **A New Division**

Thus, aside from the mutual conflicts among the three ethnic parties which still make up the backbone of the

political life of BH, yet another strong division is created between the ethnic parties and the bourgeois parties. At present, there is no prospect of any very serious influence of the parties which do not define themselves as ethnic, but the philosopher Gajo Sekulic says:

"In the choice between war and peace, between dictatorship and democratic procedure, I see a chance for at least a modest suppression of the blockade of democracy in BH and Yugoslavia. On the one hand I see this in the broadening of democratic procedures for agreement on the future of BH and Yugoslavia (free elections to the Federal Chamber of the Assembly—the best alternative—combined with new republic elections in all republics), as well as in fiercer political activity of all the parties, movements, associations, forums, and committees for whom the sovereign citizen is the point of departure as the foundation of political democracy."

Professor Sekulic explains the results of the last elections in terms of "fear of the other," not in terms of a rational choice, and he stresses:

"In all the republics of Yugoslavia, the ethnic democrats in the end barely came to power in view of the fact that the victorious ethnic parties barely received more than 50 percent of the vote (Demos 55 percent). If the proportional system had been in effect, the SPS [Socialist Party of Serbia] would have lost the election in Serbia, and so would the HDZ in Croatia, while in BH no party would have had nearly 50 percent of the vote."

It is of interest that Sarajevo citizens of all nationalities mostly agree with the assessment that people voted primarily out of fear of the decisive influence of another nationality and of a splitting of the ethnic body of their own nationality. Likewise, it is hard for them to be satisfied with the way in which the government has been solving current problems.

"This parliament is a school for 'ducklings.' The situation brought to the surface people who have neither the knowledge nor the ability to engage in politics," says Milan Trbojevic, SDS deputy.

However, in spite of that, people say that they voted once again the way they did because of the tense situation. Given all the fear and tension, people explained the fact that there were no interethnic conflicts in terms of their life together over centuries and the tolerance which they have learned. "All of this will pass, and later you will have to go on living with your neighbors," they say.

### **Total Policy**

In Bosnia, nothing is prized that is exaggerated. Even strident and aggressive politicians quickly lose their popularity. They like speeches that are restrained. Father Perisa Vranic, archpriest and priest in Sarajevo, says:

"Bosnia is a phenomenon even in geography, but particularly in its ethnic and religious makeup. It is challenging from every standpoint. The spiritual spheres of the East

and West and of their cultures intersect most directly over Bosnia. What happens here is manifested on a broader scale."

This might serve as a warning to all those involved in the present BH drama: However true it might be that the level of tension in Bosnia depends directly on the level of tension between Serbia and Croatia, the opposite is equally true—loss of control over the tension in Bosnia can easily send the "eastern and western spheres" into conflict, even against their will.

Prof. Hilmo Neimarlija, Islamic theologian, explains the loss of bearings and impossibility of sober reflection in this kind of situation:

"All the things that are not clear occur because all of us together have made the transition from an area of political totalitarianism to an area of total politics. I refuse to equate Bosnia with political Bosnia. At this moment, the political aspect seems to us so important, but Bosnia is not just a governmental and political fact. It is above all a cultural fact."

The specific nature of Bosnia's cultural and religious legacy dates back before the advent of Islam in this region. The excommunicated Bogumil Church did not accept differentiation into Orthodox and Catholic,

which came from Rome and Istanbul in 1054, and before the arrival of the Turks Bosnia was mainly Bogumil, not Orthodox or Catholic. Nor was the attempt at complete Islamization of BH successful.

Fra Marko Orsolic, Sarajevo Franciscan, says:

"BH is like a fairy-tale country: If you try to make it Muslim, you will make it Serb and Croat; if you try to make it Serb, it will be Muslim and Croat; if you want it to be Croat, it will become Serb and Muslim, you always get the opposite of what you want." Fra Josip Markusic, Franciscan from prewar Belgrade, wrote at one time in connection with the Cvetkovic-Macek Agreement: "No one who allows the land of Bosnia to be broken up is either a Serb, or Croat, or Slav (the reference is to Muslim). It stands in its entirety as the only reliable binder of the handful of wheat stalks which God has determined is to be a governmental unit, a single sheaf...otherwise, wherever Bosnia is divided, my God, by our terrible fate, a crack will open wide down the middle of the house and hearth as through a house of wattle."

"And I would add that the opposite is also true," Fra Marko Orsolic said. "Bosnia cannot be preserved without Yugoslavia. Whoever divides Yugoslavia, splits Bosnia as well."